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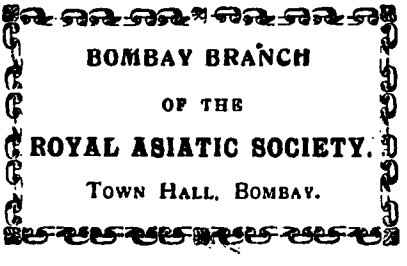

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Report

of the

Indian Tariff Board

(Cotton Textile Industry Enquiry)

1927

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Volume II

Evidence of the Bombay, Ahmedabad and Baroda Millowners' Associations

BOMBAY
PRINTED AT THE GOVERNMENT CENTRAL PRESS
1927

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PRESS COMMUNIQUE

In the Resolution of the Government of India in the Department of Commerce, No. 341-T. (9), dated the 10th June 1926, a second Tariff Board was appointed for the purpose of enquiring into the present condition of the Cotton Textile Industry in India. The terms of reference were :—

(1) To investigate the condition of the Cotton Textile Industry in India, with special reference to the industry in Bombay and Ahmedabad ;

(2) To examine the causes of the depression in the industry and to report whether they are of a temporary or permanent character ;

(3) In particular, to consider whether, and if so to what extent, the depression is due to the competition of other countries in the home and export trade ;

(4) To report whether, having regard (*i*) to the fact that the industry has long been established in India and (*ii*) to the interests of the consumer and to all other interests affected—
(*a*) the industry is in need of protection, and
(*b*) if so, in what form and for what period protection should be given ; and

(5) To make any other recommendations that are germane to the subject.

The Board has now received a representation from the Bombay Millowners' Association reviewing the causes which, in the opinion of the Association, have led to the present condition of the industry and putting forward the following proposals :—

(1) The abolition of the duties on machinery and mill stores ;

(2) The abolition of company super tax and the Bombay town duty of one rupee per bale ;

(3) Reduction of railway freights from Bombay to the principal up-country markets ;

(4) Negotiations with steamship companies for the reduction of shipping freights from Bombay to all export markets ;

(5) The appointment of Trade Commissioners in various countries to assist India's export trade ;

(6) The adoption of a scientific tariff which will protect goods manufactured in India from unfair competition from foreign countries.

The Association consider that, in order to place the cotton textile industry in India on an equality with foreign countries in respect of costs of manufacture, additional protection to the extent of 13 per cent. is required and that further protection to enable the mills to make the necessary allowances for depreciation to plant and machinery should also be given.

2. The Board will be glad to receive representations from those public bodies, firms and persons who desire to express their views on the subject matter of its enquiry.

The representation from the Bombay Millowners' Association and the Board's questionnaire have been printed in book form and copies can be obtained from the Board's office at the Bombay Town Hall, Provincial Government Book Depôts and authorised booksellers.

3. Replies to the Board's questionnaire, which should be addressed to the Secretary should reach the Board's office, Town Hall, Bombay, not later than the 21st of August 1926, together with 5 spare copies. Firms and persons who desire to tender oral evidence should inform the Secretary not later than the 15th of August. The Board's programme will be notified to the public from time to time and arrangements will be made for the examination of witnesses other than those from Bombay at the nearest convenient centre included in the Board's programme.

4. Some of those who desire to be heard may find it convenient to submit detailed answers to the questionnaire, while those who prefer to express their views in a more general form may find the questionnaire useful as indicating the points on which the Board desires to be informed. Some of the questions cannot be answered without local or technical knowledge and answers of firms and others with such knowledge will be of special value. Witnesses who desire any part of their evidence to be treated as confidential are requested to mark such part clearly.

Bombay, the 1st August 1926.

D. F. KEEGAN,
Secretary, Indian Tariff Board
(Cotton Textile Industry Enquiry).

QUESTIONNAIRE

SECTION I

General

1. Do you consider that the present depression in the Cotton Textile Industry is confined to Bombay or that it also extends to Ahmedabad and to up-country centres generally ? Does it affect all mills in the same centre alike ?

2. To what extent do you consider the depression due to the operation of world factors, of factors special to India or of factors special to a particular locality in India ?

3. Do you consider that the causes of the present depression in the industry are of a temporary or permanent character ?

4. Do you consider that, unless the present margin between the price of raw cotton and the price of yarn and piece-goods increases, any mills now working will be compelled to close down ?

5. Do you consider that producers of yarn and piece-goods generally (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres with which you are acquainted are at present realising no profit on their sales or selling at a loss ?

6. What effect do you consider that a further fall in the price of raw cotton would have on the prosperity of the industry ?

7. How far can the present depression in the industry be attributed to lack of confidence in the stability of the present level of prices of raw cotton, of yarn and of piece-goods ?

8. How far do you consider that the depression in the industry can be attributed to the fact that the fall in the price of cloth has not corresponded with the fall in the price of cotton and that of other commodities ?

9. Do you consider that there has been a fall in the purchasing power of the ryot since the war, and if so, to what extent has this fall in purchasing power contributed to the depression in the mill industry ?

10. Do you agree with the view that, owing to the low prices of gold and silver, consumers prefer to invest their savings in the precious metals and to restrict their purchases of cloth to a minimum ?

11. How far can the present depression in the industry be attributed to lack of organisation among the mill-owners generally or in any specified directions ?

12. How far has the depression in the industry been reflected in the number of mills which have (*a*) changed hands, (*b*) closed down, (*c*) gone into liquidation since 1922 and in that of projected mills in which work has not been started or has been suspended since that date ? If you are in a position to give information in regard to a particular mill falling under any of these heads please do so.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. How far do you consider that the present depression in the industry can be attributed to the loss of the Chinese market for yarn ? How far do you consider that the heavy fall in the exports of yarn to China since 1917 can be attributed to foreign competition, to scarcity and dearness of freight, to the expansion of the weaving industry in India or to a combination of all these causes ?

14. How far do you consider the present depression in the industry due to increasing competition both in regard to quantity and price of imported yarn and piece-goods (*a*) from Japan and (*b*) from other countries ?

15. What counts of imported yarn and lines of imported piece-goods compete directly with the production of Indian mills ?

16. Please give as complete a range of figures as you can covering as long a period as possible of prices *ex*-godown Bombay or Calcutta of imported yarn and piece-goods which compete with yarn and piece-goods manufactured in India. The prices *ex*-mill of the Indian manufactures with which the imported goods compete should also be given.

17. Do you consider that any yarns or piece-goods imported from Japan or other countries are placed on the Indian market at prices which would not cover their cost of production in India or at prices which are lower in India than those at which they are

placed in other markets (excluding freight and duty)? If so, please furnish samples of such yarn or piece-goods, if possible, with particulars of prices. Can you furnish any evidence to show that such goods are placed on the Indian market at prices which after deducting freight and incidental expenses would not cover the cost of their production in the exporting country?

18. Do you consider that any yarns or piece-goods exported from Japan or other countries are placed on any foreign market at prices which are lower than the cost of production of similar Indian goods *plus* freight and import duty? To what extent, if any, has India lost foreign markets as a result of such competition?

19. The total imports of yarn of counts under 30s into India in 1924-25 were less than 1·3 per cent. of the production of Indian mills. In these circumstances do you regard the competition of imported yarn as a serious factor, and if so, why? Do you consider the percentage likely to increase?

20. It has been estimated that before the war not more than 3 per cent. of the imports of piece-goods from the United Kingdom competed directly with the production of Indian mills and that since the war the percentage has not been more than 1 per cent. Do you accept these figures? If not, please give your reasons.

21. It has been estimated that 70 per cent. of the imports of piece-goods from Japan compete directly with the production of Indian mills. Do you accept this figure? If not please give your reasons.

22. It has been estimated that 10 per cent. of the imports of piece-goods from countries other than the United Kingdom and Japan compete directly with the production of Indian mills. Do you accept this figure? If not, please give your reasons.

23. Do you consider the imports of piece-goods into India from the United Kingdom, Japan, Italy or any other country likely to increase, and if so, why?

24. To what extent do you consider that imported piece-goods from Japan compete with those (*a*) from the United Kingdom and (*b*) from other countries? Do you consider this competition likely to increase in the future?

25. To what extent do you consider that the competition of imported piece-goods from Japan with the production of Indian mills has been accentuated by the fall in the Japanese exchange? Please give figures in support of your view. Have you any criticisms to offer of the table given in paragraph 57 of the representation of the Bombay Millowners' Association and of the assumptions on which it is based?

26. To what extent do you consider that the competition of imported goods from countries other than Japan with the production of Indian mills has been accentuated by fluctuations in the exchange of the exporting countries? Please given figures in support of your view. Do you consider that the competition from foreign countries other than Japan is likely to increase in the future owing to the exchange factor?

27. To what extent do you consider that the competition of imported goods with the production of Indian mills has been accentuated by fluctuations in the sterling rate of the rupee? If the rupee is stabilised at 1s. 6*d*., what effect will it have on the industry?

28. To what extent do you consider that the competition of imported piece-goods with the production of Indian mills is facilitated by the difference between the conditions of labour in the exporting country and in India?

29. To what extent do you consider that the competition of imported piece-goods with the production of Indian mills is promoted by direct or indirect State assistance to the industry in the exporting country? Are you in a position to give any specific information on this point?

30. Do you consider that the competition of imported piece-goods with the production of Indian mills is in any way assisted by special facilities in the matter of credit obtained by the exporting houses in their own country or offered by them to buyers in India?

31. How far do you consider that the competition of imported piece-goods with the production of Indian mills is facilitated by greater attention paid by exporters to the requirements and preferences of Indian middlemen and consumers in regard to such matters as quality, finish and packing?

32. Has there been any marked change in the quality of piece-goods imported into India of recent years from Japan or any other country?

33. Can you give any specific instances in which any line of Indian yarn or piece-goods has been ousted from or seriously handicapped in the home or foreign market or any part of it by imports from Japan or any other country ?

34. Do you consider that there are any signs of a growing preference on the part of Indian consumers for finer qualities of cloth than those ordinarily produced in Indian mills and that this preference is working to the disadvantage of Indian mills as compared with their competitors ?

SECTION III

Internal competition

35. To what extent, if any, do you consider that the extension of mills and the establishment of new mills in up-country centres have affected the prosperity and future prospects of the industry (*a*) in Bombay and (*b*) in Ahmedabad ?

36. What advantages, if any, do you consider that Bombay mills have over mills in Ahmedabad and up-country centres ?

37. Can you give an estimate of the relative advantages that mills in (*a*) Ahmedabad and (*b*) any up-country centre with which you are acquainted have over mills in Bombay owing to (*a*) proximity to large up-country markets, (*b*) proximity to coal fields, (*c*) proximity to sources of supply of raw materials ?

38. To what extent does the handloom industry compete with the mill industry ? Has there been any change in this respect of recent years ?

39. Can you furnish any information as to the extent of the production of hand-spun yarn and handloom piece-goods ?

SECTION IV

Mill management

40. The British Safeguarding of Industries Act lays down *inter alia* that no order shall be made under Part I unless it is established that the industry manufacturing similar goods in the United Kingdom is being carried on "with reasonable efficiency and economy." Do you consider that this criterion is satisfied by the industry (*a*) in Bombay and Ahmedabad and (*b*) in India generally ?

41. Please state your views in detail on the managing agency system. If you consider the system defective, please state in what way you regard it as defective. Do you consider any efficient substitute for the managing agency system possible ?

42. Is the system of remuneration to managing agents by commission on profits or that by commission on production the more common ? Which do you consider preferable ?

43. In addition to remuneration by commission on production or on profits do managing agents also receive an allowance for office expenses and commission (*a*) on purchases of cotton, (*b*) on purchases of machinery, mill stores and coal, (*c*) on sales of cotton, (*d*) on sales of yarn and cloth and (*e*) on insurance, advertisement or other activities ? Where the commission is on production does the agency agreement usually provide for a minimum commission irrespective of profits ?

44. Is the association of managing agents with any other classes or kinds of business common and, if so, do you consider it is in any way detrimental to the interests of the industry ?

SECTION V

Mill finance

45. To what extent can the present depression in the industry be attributed to the over-capitalization or the under-capitalization of the mills in the Bombay, Ahmedabad, and up-country centres ?

46. To what extent can the present depression in the industry be attributed to extensions of mills and replacements of machinery undertaken when prices were at their highest ?

47. Do you consider that there was an unduly liberal distribution of profits by mills between 1917 and 1923 ? If so, please give figures in support of your view and state whether you consider that the present depression in the industry can to any extent be attributed to this cause.

48. Have you any criticisms to offer of the way in which mills have obtained their capital, *i.e.*, of the way in which it is divided between (*a*) ordinary shares, (*b*) preference shares, (*c*) debentures, (*d*) loans, (*e*) reserve fund and (*f*) depreciation and other funds ?

49. Have you any criticism to offer of the way in which mills obtain their working capital? To what extent is the system of obtaining this capital by means of short term loans from the general public prevalent (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ? Do you consider this system a sound one ?

50. How far is it the practice of the mills to invest funds in allied concerns? Do you consider this practice a sound one ?

51. Do mills now experience greater difficulties in obtaining finance than in pre-war years ? If so, to what extent has this contributed to the general depression in the industry ?

52. Can you give any information as to the rate at which money is borrowed by the industry in India and in Japan ?

Section VI.—Costs of Production

(*a*) *General*

53. What size do you consider a mill with both spindles and looms should be in order to ensure the most efficient and economical working ? Can you give an approximate estimate of the capital required in pre-war conditions and at the present time to establish such a mill (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ? Can you give an idea of the approximate cost per spindle of establishing such a mill in 1914 and 1926 respectively in India as compared with the United Kingdom and Japan ?

54. Are mills generally (*a*) in Bombay, (*b*) Ahmedabad and (*c*) up-country centres of a size, type and lay-out conducive to economical working ?

55. To what extent do you consider that the efficiency of Indian mills is hampered by the use of old machinery ?

56. Please give for any mill in regard to which you are in a position to give such information a statement in the form attached as Appendix A of the costs of production in pies per pound for one pound of grey yarn of 20s counts and for one pound of standard grey calendered long cloth. For purposes of comparison the figures should be given for 1913, 1914, 1920, 1924 and 1925 (if available).

N.B.—The exact period covered, where this differs from the Calendar year should be stated. The counts of warp and weft used for and the reed and pick of the standard long cloth should also be stated.

57. In which of the elements making up the cost of production do you consider Indian mills are at a special disadvantage as compared with their competitors ?

58. In which of the elements making up the cost of production are mills in Bombay at an advantage or disadvantage as compared with mills in Ahmedabad and up-country centres ?

59. To what extent, if any, are the costs of production in Bombay as compared with those in Ahmedabad and up-country centres affected by the greater humidity of its climate ? To what extent does the provision of humidifiers add to or lower the cost of production ?

(*b*) *Raw material*

60. Please describe in detail the methods adopted by the mills in purchasing raw cotton (*a*) in Bombay and (*b*) in the cotton districts. Please state how these differ from those adopted in Lancashire and Japan.

61. How far do you consider that speculative purchases of (*a*) spot cotton and (*b*) cotton futures have contributed to the present depression in the industry ? Can you suggest any method by which the element of speculation in such purchases could be reduced ?

62. It has been frequently stated that the prices at which cotton is purchased by Indian mills are often higher than the prices paid for cotton for export. Do you consider this statement correct ? If so, can you give any information as to the margin between the two prices ? Can you suggest any reason why there should be such a margin or any means by which it can be avoided ?

63. To what extent can the present depression in the industry be attributed to the purchase of cotton at prices higher than those now prevailing ?

(c) *Labour*

64. The Bombay Millowners' Asssociation hold that "the main factor which has contributed to the present increased cost of manufacture is the higher remuneration given to labour for a smaller unit of work as compared with pre-war years." Do you accept this view ? How far does it also apply to Ahmedabad and up-country centres ?

65. Do you consider that there was an unduly liberal distribution of bonuses to operatives between 1918 and 1923 ? If so, please give figures in support of your view and state whether you consider that the present depression in the industry can to any extent be attributed to this cause ?

66. To what extent, if any, did (*a*) spinning and (*b*) weaving production suffer as a result of the reduction in the hours of labour in 1922 ? Please give comparative figures for 20s yarn and standard grey calendered long cloth before and after the reduction.

67. Please state for any mill with which you are acquainted :

(*a*) the number of spindles in the ring frames, the lift of spindle and number of ring spindles per competent spinner ;
(*b*) the number of looms per competent weaver ;
(*c*) the total operatives in the spinning department per 1,000 spindles up to and including reeling and the average counts spun ;
(*d*) the total operatives in the weaving department per 100 looms for grey and coloured goods respectively.

Please explain in detail how you have arrived at your figures.

68. Please give the rates of wages paid in the spinning and weaving department of any mill with which you are acquainted with particulars of any changes in these since 1914.

69. Please state the average spinner's wage per pound of 20s yarn and weaver's wage per pound of standard grey calendered long cloth produced for any mill with which you are acquainted.

70. To what extent do you consider the textile industry in India is hampered in comparison with its competitors by the inefficiency of Indian labour ? How does the efficiency of labour in Bombay compare with that in Ahmedabad and in up-country centres ?

71. What is the percentage of absenteeism (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in any up-country mill with which you are acquainted ? How far does the percentage of absenteeism vary from day to day in the week and how far is the variation seasonal ? Is the percentage larger amongst female than amongst male operatives ? To what extent do you consider that absenteeism could be reduced by the grant of good attendance bonuses and other privileges ? Are such bonuses commonly granted ?

72. How far does the "budli" system affect the efficiency of labour ?

73. Can you furnish an estimate of the rate of labour turnover in the cotton textile industry (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ?

74. How far are mills in Ahmedabad and in up-country centres at an advantage or disadvantage over those in Bombay in regard to the continuity of labour supply ? To what extent do you consider that continuity could be secured by the grant of long service bonuses and the institution of provident funds ? Are such bonuses and provident funds common ?

75. To what extent do mills in Bombay, Ahmedabad and up-country centres house their labour and what return do they get on the capital invested in such housing ? Do you consider that improved housing conditions would result in any improvement in the efficiency of labour ? How far is it possible to secure such conditions in Bombay and Ahmedabad ?

76. What are the present facilities for technical education (*a*) for operatives, (*b*) for supervising staff ? To what extent is use made of these ? To what extent do you consider that the efficiency of labour could be improved by increasing them ?

77. The Bombay Millowners' Association express the view that wages in the cotton textile industry are higher than those generally prevalent in any other industry in India. Do you accept this view ? If so, please give facts in support of your opinion.

78. Has there been any marked change in the standard of living of operatives since the war.

79. Do you consider that there is any scope for a reduction in the labour costs in mills in India by the introduction of automatic looms or of other labour saving appliances ?

Would any such reduction be more than counterbalanced by additional expenditure in other directions ?

80. Do you consider that there is any reasonable prospect of securing a reduction in labour costs in the near future by training operatives to tend more spindles or looms ? Has there been any improvement in this respect in recent years ?

81. Do you accept the figures given in paragraph 129 of the Bombay Millowners' representation in regard to the saving in the cost of cloth as a result of working double shifts ? Can you furnish an estimate of the saving that would be secured by double shift working for any mill with which you are acquainted.

82. Would it be possible or advisable to introduce double shift working in mills (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ?

83. To what extent, if any, has legislation in recent years affected the cost of production ? Please give full details under each head as far as possible.

(*d*) *Overhead charges*

84. The Bombay Millowners' Association in their representation have supplied full details of the local taxation imposed in Bombay. Please supply similar details for any up-country centre with which you are acquainted.

85. For what purposes is insurance effected by the Indian mills ? Do you consider the present position in regard to the amount of insurance and the methods of effecting it satisfactory ?

86. What do you consider the correct percentage which should be allowed for depreciation and how should the depreciation fund be utilised ? Do you consider that depreciation should be reckoned as a charge on cost of production or as a charge on profits ? How far does the ordinary mill practice coincide with your views on these points ?

87. On what principle are the stocks of cotton, mill stores and manufactured goods held by Indian mills valued for purposes of balance sheets ? Is there an independent valuation or are the auditors content with certificates from the managing agents ?

88. Is the audit of mill accounts a running audit or an annual one ?

(*e*) *Sales*

89. Please describe in detail the different systems adopted by the mills in selling their products. Which system you consider preferable and why ? Can you give any figures in support of your views ?

90. Is the system of sales on long credit prevalent ? What are your views regarding it ?

91. Please give full details of the additions which have to be made at the present time to the prices of Indian and imported yarns and piece-goods *ex* mill and *ex* godown respectively to make up their cost to the consumer. How do these compare with those ruling in 1913 ? Are they the same in all cases for Indian and imported goods ?

92. Do dealers in piece-goods now experience greater difficulties in obtaining finance than in pre-war years ? If so, to what extent has this contributed to the present depression in the industry ?

(*f*) *Transport*

93. Please give as full particulars as you can of the freights on cotton from India to the United Kingdom, Japan and Italy and on cotton from America, Egypt and Uganda to the United Kingdom, Japan, Italy and India.

94. Please give as full particulars as you can of the freights on piece-goods from the United Kingdom, Italy and Japan to India.

95. Can you give any instances of discrimination between Bombay, Ahmedabad and up-country centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piece-goods and mill stores inwards or outwards ?

SECTION VII.—SUGGESTIONS AS TO REMEDIAL MEASURES

(*a*) *Suggestions put forward by the Bombay Millowners' Association*

96. Are you in favour of the proposal that the customs duty on machinery and mill stores should be abolished ? What difference in pies per pound of yarn or cloth produced would this make to the cost of production of any mill with which you are acquainted ?

97. What are your views on the proposal that the Company super tax should be abolished ?

98. What are your views on the proposal that the town duty of Re. 1 per bale levied in Bombay should be abolished ?

99. Can you suggest any improvements in the present railway facilities for the movement of cotton, yarn and piece-goods ?

100. Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India ?

101. What are your views on the suggestion that the Government of India should negotiate with the steamship companies with a view to reducing the shipping freights from Bombay to Madras, Calcutta, Singapore, Basra, Zanzibar, Mombasa, Port Said, the Levant and all other export markets ? Can you give a comparative statement showing the present freights between Bombay and these ports and those which ruled before the war ?

102. What are your views on the suggestion that the Government of India should appoint Trade Commissioners to assist the export trade ?

103. Can you suggest any other measures by which (*a*) those overseas markets for Indian yarn which have been lost could be recovered, (*b*) the present overseas markets for Indian yarn and piece-goods could be extended and (*c*) new markets could be opened ?

104. The Bombay Millowners' Association have suggested the imposition of an additional duty of at least 13 per cent. on yarn and piece-goods imported from foreign countries which compete unfairly with India. Are you in favour of the imposition of such a duty (*a*) on imports from Japan alone, (*b*) on all imports, (*c*) on yarn of certain counts and on cloth of certain qualities ? If the last, please state the counts and qualities on which you consider the duty should be imposed.

105. If you are in favour of such a duty, do you consider that it should be imposed as a temporary or a permanent measure ?

106. Do you consider that the imposition of the proposed protective duty would result in a temporary or permanent increase in the price of all yarn or cloth or only of the yarn and cloth on which the duty was imposed ? In either case, to what extent would the increased price affect the cost of living of the middle and lower classes ?

107. Do you consider, on the other hand, that the result of the imposition of the proposed additional duty would merely be such increase in sales as might result from the displacement of imported yarn and cloth ?

108. Do you consider that the internal competition between Indian mills would operate to restrict the increase in the price of yarn and cloth throughout the whole of India or only in local areas ?

109. Do you consider that an increased import duty should be levied even if it increases the prices of yarn and cloth to consumers ?

110. Do you accept the view of the Bombay Millowners' Association that the raising of the import duties to 11 per cent. did not raise the price of cloth or check its consumption ? If so, please give figures in support of your views.

111. Do you consider that an increase in the duty on imported yarn and cloth would act as a restriction on the consumption of yarn and cloth ? If so, do you consider that this would be in the best interests of the mill industry in view of the fact that the figures in paragraph 121 of the representation of the Bombay Millowners' Association show that exclusive of the production of hand looms the cloth available for consumption in India in 1924-25 was still 638 million yards below the figures for 1913-14 in spite of the increase in population in the interim ?

112. To what extent, if any, do you consider that the increase in the duty on imported yarn and cloth would, by diverting yarn and cloth from India, unfavourably affect the position of Indian yarn and cloth in overseas markets ?

113. What do you consider would be the effect on the hand loom industry of the increase in the duty on imported yarn from 5 to 18 per cent. ? In this connection, your special attention is drawn to the views expressed in paragraph 116 of the Fiscal Commission's Report.

114. The Bombay Millowners' Association have asked for the adoption of a scientific tariff by which presumably is meant the adoption of specific duties on yarn and cloth in lieu of *ad valorem* duties. What are your views on this suggestion and how would you propose that such a tariff should be framed (*a*) to maintain the protection given at its present level, (*b*) to achieve the objects desired by the Bombay Millowners' Association ?

114A. With reference to question 114 of the Board's original Questionnaire the following scheme for recasting Article 103 of the present Tariff Schedules has been submitted for the consideration of the Board. Please state your views in regard to it. Can you suggest a scheme for basing the valuation on weight per square yard and number of threads in a square one inch side ?

Serial No.	Name of Articles	Per	Tariff valuation	Duty
				Per cent.
103	Cotton Piece-goods, excluding the descriptions given below : ..	....	*Ad valorem*	11
			Rs. a. p.	
	Grey plain—			
	Madapollams	Square yard ..	0 1 9	11
	"	*lb. ..	1 2 0	11
	Mulls	Square yard ..	0 2 11	11
		*lb. ..	1 10 0	11
	Jaconets, Shirtings, Sheetings, T. Cloths	Square yard ..	0 4 8	11
		*lb. ..	1 3 0	11
	White plain—			
	Shirtings, Mulls, Nainsooks, Jaconets	Square yard ..	0 5 0	11
	Coloured woven and dyed—			
	Shirtings, Mulls, Jaconets, Madapollams, from the United Kingdom	,, ..	0 4 6	11
	Do. do. from Japan.	,, ..	0 3 8	11
	Umbrella cloths, Italians, Sateens, Cambrics, Flannels, Flannelettes, Loongies, Sarongs, from Japan	,, ..	0 7 6	11
	Do. do. from other countries	,, ..	0 9 8	11
	Printed—			
	Saries, Scarves, Chintz, Chooneries, Chagras, Cambrics, Splits, Twills, Muslins, Spots, Stripes, Jeans	,, ..	0 7 0	11
	Tape-bordered Chadars and Scarves, all kinds	,, ..	0 3 7	11
	Drills and Jeans, all kinds except Printed Drills and Printed Jeans, from Japan	,, ..	0 6 7	11
	Twills all kinds, of any width from 30" to 35" except Printed Twills—			
	From United Kingdom ..	,, ..	0 7 10	11
	From other countries ..	,, ..	0 5 5	11
	Bordered Dhutis, Saris, Scarves, Chadars (except Printed Saris and Scarves and tape-bordered Scarves and Chadars), Dukries, Tikris and Jaconets, all kinds	,, ..	0 4 6	11

* The tariff valuation per lb. is suggested as a possible alternative to the valuation per square yard.

115. The Bombay Millowners have asked for additional protection beyond 13 per cent. to enable mills to make the necessary allowances for depreciation to plant and machinery. Do you support this proposal ? If so, what additional protection do you consider would be required ?

(b) Other suggestions

116. Are you in favour of an export duty on cotton ? If so, at what figure would you place it ? To what extent do you consider such a duty would affect (*a*) the income of cotton growers, (*b*) the area under cotton, (*c*) the price of cotton in India and (*d*) the price of Indian cotton in overseas markets ?

117. To what extent, if any, do you consider that the imposition of a duty on cotton at the rate you suggest would result in the replacement of Indian cotton in overseas markets by American or other cotton ?

118. Can you suggest any improvements in the banking facilities at present available to the industry ?

119. Do you consider that the position of the industry could be improved by better organisation of the millowners, *i.e.*, by greater co-operation between the mills in such matters as the purchase of cotton, machinery and mill stores, the state of the finished products, the standardisation of lines and prices or by any other combined action ?

120. How far would progress in spinning finer counts, *i.e.*, counts above 30s in India affect the condition of the industry ?

121. Do you consider that it would benefit the mill industry if different mills were to specialise to a greater extent than at present on certain counts of yarn or on certain types of cloth ? Are mills at present equipped for specialisation ?

122. Do you consider that the mill industry as a whole would benefit be extending its range of production and that, *e.g.*, the Bombay mill industry would benefit if it were to pay greater attention to the requirement of the Calcutta market ?

123. Do you consider that greater attention should be paid by the Indian mills to bleached, dyed and printed goods, to the utilisation of waste and to subsidiary branches of production such as hosiery ?

124. Do you consider that the full effect of the remission of the excise duty has yet been felt ?

125. If there are any causes which, in your opinion, contribute to the depression in the industry other than those mentioned above, please state them with suggestions as to possible remedies.

126. Can you suggest any methods of assisting the industry other than those which have been referred to in the above questions ?

SPECIAL QUESTIONS FOR THE BOMBAY MILLOWNERS' ASSOCIATION

1. In paragraph 130 of their representation, the Association have asked for the adoption of " a scientific tariff so that the goods which Indian mills can manufacture and supply to India shall not be open to unfair competition from foreign competitors. Please explain exactly what is meant by a scientific tariff and how the Association consider it should be framed to achieve the object they have in view.

2. In paragraph 131 of their report, the Association ask for protection in addition to the 13 per cent. proposed in that paragraph to enable mills to make the necessary allowances for depreciation to plant and machinery. What additional duty do the Association consider should be imposed for this purpose ?

3. Please give an account of the working of the Millowners' Association Mutual Insurance Fund for workmen's compensation and state whether the Millowners' Association has under contemplation any similar scheme for fire and other insurances.

APPENDIX A

A. *Cost of production of one pound of grey yarn*

	Pies	Percentage of total cost
1. Cost of cotton required to manufacture 1 lb. of grey yarn.		
Manufacturing charges		
2. Cost of fuel and power		
3. Cost of water for power purposes		
4. Cost of water for all purposes other than power ..		
5. Cost of stores consumed		
6. Repairs and upkeep of machinery		
7. Wages to operatives inclusive of bonus and all allowances.		
8. Superior supervision		
Overhead charges		
9. Rates, taxes, licenses and fees		
9A. Interest and brokerage on working capital		
10. Insurance		
11. Repairs and upkeep of buildings		
12. Depreciation		
13. Office expenses (*a*) at mill, (*b*) at registered offices of company.		
14. Brokerage and commission		
15. Schools, welfare work and dispensary		
16. Provident fund ..		
17. Miscellaneous expenses not otherwise specified ..		
Total cost ..		

B. *Cost of production of one pound of standard grey calendered long cloth*

	Pies per lb.	Percentage of total
1. Cost of yarn used for manufacturing one pound of cloth ..		
Manufacturing charges		
2. Cost of fuel and power		
3. Cost of water for power purposes		
4. Cost of water for all purposes other than power ..		
5. Cost of stores consumed		
6. Repairs and upkeep of machinery		
7. Wages to operatives inclusive of bonus and all allowances		
8. Superior supervision		
Overhead charges		
9. Rates, taxes, licenses and fees		
9A. Interest and brokerage on working capital		
10. Insurance		
11. Repairs and upkeep of buildings		
12. Depreciation		
13. Office expenses (*a*) at mill, (*b*) at registered offices of company.		
14. Brokerage and commission		
15. Schools, welfare work and dispensary		
16. Provident fund		
17. Miscellaneous expenses not otherwise specified ..		
Total cost ..		

Witness No. 1

THE BOMBAY MILLOWNERS ASSOCIATION

Written Statement dated 17th July 1926

THE PRESIDENT,

THE TEXTILE INDUSTRY TARIFF BOARD.

SIR,

In a letter No. 817—102, dated 19th May 1926, addressed to the Honourable Sir Charles Innes, the Bombay Millowners' Association requested the Government of India to direct the Tariff Board or some other Committee similarly constituted, and with similar powers, to enquire into the causes of the present severe depression in the Bombay Cotton Textile Industry and to suggest the measures which might be taken to restore this important indigenous industry to prosperity. In response to this application the Government of India were pleased to appoint a second Tariff Board for the purpose of enquiring into the cotton textile industry with the following terms of reference :—

(1) To investigate the condition of the cotton textile industry in India, with special reference to the industry in Bombay and Ahmedabad.

(2) To examine the causes of the depression in the industry and to report whether they are of a temporary or permanent character ;

(3) In particular to consider whether, and if so to what extent, the depression is due to the competition of other countries in the home and export trade ;

(4) To report whether, having regard (*i*) to the fact that the industry has long been firmly established in India and (*ii*) to the interests of the consumer and to all other interests affected,

(*a*) the industry is in need of protection, and

(*b*) if so, in what form and for what period protection should be given ; and

(5) To make any other recommendations that are germane to the subject.

2. In order that the Board may be in a better position to appreciate the condition of the industry as it exists to-day, it is, in the opinion of this Association, desirable to preface their case by a brief survey showing the growth of the industry since its establishment in Bombay in 1854, and setting forth the factors which have assisted or retarded its growth previous to the present time. This historical survey is followed by an examination of the existing condition of the industry which this Association trust will help the Board in arriving at proper conclusions.

Short historical summary of the Growth of the Bombay Cotton Mill Industry

3. It is a peculiar fact that even to-day nearly half the spindles and looms of India are located within the limits of the Island of Bombay, and more than two-thirds within the Presidency of Bombay. In the early days of the industry, the above-mentioned peculiarity was even more noticeable, and even as recently as the year 1905, Bombay Island contained half of the spindles and looms working in India.

4. That the first few cotton mills located in India should be erected in Bombay is probably accounted for by the fact that Bombay, as one of the two most important ports in India, has always held a very large share of the import trade in yarn and piece-goods, and has been the chief exporting port for cotton since the fifties of the last century.

The growing and profitable nature of the import trade in yarn and piece-goods naturally led the Indian merchants of the sixties to consider whether it would not be possible to build up an indigenous industry which would supply the needs of India in those classes of yarn and piece-goods which it was possible to produce from Indian cotton at a cheaper rate than similar goods produced in the United Kingdom.

5. In this aim it must be at once admitted that for a very great number of years, Indian manufacturers met with only a very small amount of success, if any, and even to-day, only a little more than half the power-loom woven piece-goods consumed in India are manufactured upon the power-looms of the country. For the first half century of its existence, the spinning side of the industry developed out of all proportion to the weaving section of the industry and this was very largely due to the fact that a vast and profitable export trade in yarn was built up with China. The home trade in yarn made some progress, but so far as Bombay Island mills were concerned, the China trade in yarn was the controlling factor of its development until the late nineties and the essential reason for the erection of cotton mills in such large numbers in so confined an area.

6. It is an incontrovertible fact that the prosperity of the City of Bombay has been largely built up by the development of its mill industry, and it is indeed hardly feasible to conceive, in the near future at least, that Bombay can retain its prosperity and greatness, unless means are found to remove its premier industry from the throes of depression. For more than three years, in spite of the five successive good monsoons, the Bombay cotton mills have been losing money; the strong mills have become weaker and the weaker mills are getting into very serious position.

7. Although the industry has been in existence for more than sixty years there have been throughout its history factors sapping its life-blood, the full effects of which were on account of other adventitious circumstances, not always keenly felt at the time, but which contributed their quota towards crippling the industry, and to-day the industry is feeling the effects of the sum total of all these factors. The Bombay Millowners' Association maintain that it is the duty of the Government of India to come to the assistance of the oldest and most important national industry in this time of difficulty: an industry which in the past has contributed a large proportion of the country's revenue and has found work directly and indirectly for millions of its inhabitants.

Development of the Industry

8. The first cotton mill (The Bombay Spinning and Weaving Company) commenced building in 1851 and was completed in 1854, but for a considerable period after this the industry developed very slowly, from which it may be inferred that profits were not such as to attract the general public. Four years after the commencement of the Bombay Spinning and Weaving Company, a further mill, the Oriental Spinning and Weaving Company, was established by Manockjee Nusserwanjee Petit, member of a family whose name is inseparably connected with the growth of the cotton mill industry in its early days. The success of this mill led his son Mr. Dinshaw Manockjee Petit, afterwards Sir Dinshaw Petit, to establish the Manockjee Petit Mills in 1860.

9. From 1860 to 1865, the growth of the mill industry in Bombay was rapid, its progress being materially helped by the accession of wealth which accrued to the Bombay commercial interests owing to the very high price that Indian cotton was sold at during the American Civil War, and which found a natural outlet in the promotion of industrial enterprises in the City and Island. Another factor which contributed to the growth of the industry was the beginning of an export trade in yarn with China.

10. At the beginning of 1865, Bombay had 10 mills containing 250,000 spindles and 3,400 looms, from which it may be deduced that compared with spinning, the development of the weaving side of the industry had been comparatively slow.

11. During the years 1865 to 1871 the industry suffered a severe check to its prosperity during the financial crash which followed the close of the American Civil War. The crisis was particularly severe in the years 1865-66, but it was not until 1871 that the storm was really weathered.

12. That the mill industry weathered the financial crisis of 1865, demonstrated its essential stability, and in the early seventies after the restoration of credit the industry made rapid progress as may be instanced by the fact that between 1870 and 1875 at least seventeen new mills were started and in the latter year the number of spindles and looms had grown to 750,000 and 8,000 respectively.

13. In the seventies and eighties of the last century the Bombay mill industry made further progress owing to the profitable yarn trade with China. The industry, like any other great industry, no doubt experienced periods of depression owing to various circumstances. On the whole, however, the industry was able to show during these two decades satisfactory and favourable progress.

14. No assistance has ever been rendered by Government to the industry to foster its growth and development on sound and healthy lines. On the contrary, the Government has generally pursued a policy calculated to hamper the growth of the industry by introducing tariff legislation which was neither fair nor equitable and which was in the highest degree prejudicial to the best interests of the industry.

15. We need not here refer in detail to the agitation carried on by Lancashire in the seventies to get the import duty on cotton yarn and piece-goods abolished. This agitation proved unavailing so long as a just and strong man like Lord Northbrook was at the helm of affairs in India, but soon after the succession of Lord Lytton to the Viceroyalty, Lancashire achieved its first triumph in 1878, by getting exempted from import duty (1) unbleached T-cloth under 18 reed, jeans, domestics, sheetings and drills made from yarns not higher than 30s and (2) yarns of the qualities lower than 32s mule and 20s water.

16. There can be no doubt that the measure adopted by the Government of India in 1878 unduly favoured Lancashire at the expense of India for the vast bulk of Indian manufactures was much coarser than the limit laid down by Government for exempting imported goods from duty. The main effect of this measure, however, was that the Home manufacturers exported in larger quantities the coarse goods which were exempted from duty with ruinous effect on the immediate prospects of the indigenous industry. On this subject it would be perhaps best to quote from an official and authoritative publication—"The Statement of the Trade of British India"—for 1879-80.

> "The effect of the duty, in fact, was not so much to encourage a general increase in trade as to induce manufacturers and importers to substitute goods of the coarser and duty-free kinds for the medium and finer qualities which had formerly, when all classes were alike subject to duty, formed the bulk of the trade. In this respect the results were much more decisive than was anticipated. It was of course expected that a certain proportion of the goods generally made of yarns ranging from 30s to 40s would, in future, be made of yarns of 30s and under, so as to bring them within the limit of exemption. But what has actually occurred has been a complete revolution in the course of the trade in grey goods, the importations of the medium and finer classes having almost ceased since the issue of the notification."

It will be thus seen that the Government of India instead of rendering any assistance to the industry pursued at the dictates of Lancashire a policy which, in effect, was calculated to hamper its growth and development. Eventually the import duties on cotton goods were totally abolished, in the face of the strongest opposition not only from the people of India, but also from higher officials like members of the Viceroy's Executive Council and of the India Council. It would not be perhaps out of place to reproduce here the following extract from the Statement of the Trade of British India for 1877-78 regarding the advantages enjoyed by the Lancashire cotton industry in comparison with the industry in India :—

"An Indian mill costs more to set up than a mill in Lancashire, the comparison as regards essential points being somewhat as follows :—

The prime cost of erection, including the spindles and fitting up, is about three times as great in India as in England. Thus, a mill in Lancashire containing 50,000 spindles is said to cost about £1 per spindle, or between £50,000 and £60,000 ; a mill of the same size in Bombay would cost about fifteen lakhs of rupees (£150,000).

In the English mill the interest charges on capital (first cost) at 5 per cent. would not be more than from £2,500 to £3,000 ; in the Bombay mill the charge at 9 per cent. would be about £13,000.

In the English mill the interest on working capital would be 4 per cent., in the Indian mill 7½ per cent.

In the English mill the wear and tear may be set down at 20 per cent. In the Indian mill it is at least double this, in consequence of the carelessness of the workpeople.

Fuel and stores, which are all imported, are much more costly in Bombay than in the English mill."

17. The truth of the statements made in the above extract cannot be gainsaid, and it is very regrettable that these important facts recorded in an official publication should have been entirely disregarded by the Government of India in framing their tariff policy

in regard to the cotton mill industry of the country in the seventies and eighties of the last century.

18. It was, however, during the closing decade of the last century that seeds were sown for the serious condition of the cotton mill industry which we are witnessing to-day In 1893, the Indian mints were closed to the free coinage of silver and the disastrous effects of this measure are pointed out further in this statement. This event was followed three years later by the imposition of a 3½ per cent. Excise Duty on cloth manufactured in Indian mills for the purpose of countervailing the import duties which had been re-imposed at the end of 1894. Lastly, the decade is notable for the commencement of the growth of the mill industry in Japan with the result that the exports of Indian yarn and piece-goods to that country were gradually cut off, and Japan later on proved a very formidable rival to India in the China market. Having practically ousted India from the China markets, Japan is now making tremendous inroads into the home markets of this country and to-day this Japanese competition is regarded as the most important factor to be considered in connection with the present critical state of the indigenous industry.

19. The three events mentioned above have combined to cripple seriously the healthy growth and development of the cotton industry of this country and we will now briefly deal with each of these three events.

20. As regards the closing of the mints, we cannot do better than quote from an authoritative publication like the Review of the Trade of British India for 1892-93. After pointing out how the import trade of the country was stimulated by the currency legislation of the Government of India, the Review goes on to explain in the following words the adverse effects of the closing of the mints on the export trade in cotton yarn and piece-goods :—

> "That measure, while it was intended to restore steadiness to the exchanges with gold standard countries with which three-fourths of our trade is carried on, had the effect, as was anticipated, of disturbing the exchanges with silver standard countries with which the remaining fourth of our trade is carried on. The disturbance was sudden and violent. While the rupee appreciated in sterling exchange value, silver fell heavily in gold value, and the sterling exchange value of the dollar fell in the same proportion. The dollar exchange between India and China which had all along stood at about $ 100 to Rs. 200 suddenly fell to about $ 100 to Rs. 192, and until prices of commodities were adjusted to the new conditions trade was practically paralysed."

21. The effects of the closing of the mints on the cotton mill industry of the country are set forth in the following words in the Association's report for 1893 :—

> "Never before perhaps in the history of modern trade has legislation had a more disastrous and immediate effect on an important and well established industry. With the certainty and precision of an automatic machine, business for China and Japan was for the time being absolutely suspended, as not only were new orders rendered impracticable by an immediate fall of 12 to 15 per cent. in the nominal rate of exchange, but it was impossible to finance previous operations, the banks refusing to buy bills on any terms. It says much for the sound condition of the industry that it was able to withstand such a sudden strain without leading to an absolute collapse, and much also for the energy and ability with which the crisis was encountered, that, availing themselves of the organisation which the Association affords, Agents and Owners of Mills at once set themselves to meet the crisis by effecting economies in working and obtaining reductions in freights, etc. These influences, coupled with a slow but steady compensating advance in prices in China, have gone a great way towards restoring the industry to a sounder basis, but it will be a long time before lost ground can be recovered to say nothing of further development. Against that, the currency policy of Government seriously militates giving as it does, by the dislocation enforced between silver and the rupee, a premium to Chinese and Japanese spinners, a fact which it is evident they only too well appreciate."

22. It is true that the industry afterwards overcame, to some extent, the serious difficulties caused by the closing of the mints, as is evidenced by the extent of the exports of yarn to China during the 15 years following, but the important point to remember is that after the closing of the mints the yarn trade with China became more or less speculative in nature and brought in very inadequate returns to the Bombay spinning mill industry.

23. The serious disadvantages inflicted on the cotton industry by the currency legislation of 1893 were well set forth in a speech made by the late Sir Vithaldas D. Thackersey in 1900, the more important paragraphs from which are reproduced *in a*

*footnote.** Sir Vithaldas also started a discussion on the subject in the *Times of India* and his conclusions were endorsed by all competent to judge.

24. Two years after the closing of the mints, with its disastrous effects on the cotton industry of this country, came the tariff legislation forced on the Government of India by the Home Government at the dictates of Lancashire, and it is interesting to recall the following words of Sir James Westland, the then Finance Member of the Government of India :—

"I need only say that India as a manufacturing country is not yet out of her tutelage, and if any industry in the world deserves protection, it is the cotton industry of India, the only real indigenous industry which has sprung up in this country, an industry, moreover, on which our present currency difficulties have compelled us, in the interests, as we believe, of the country generally, to inflict a certain amount of injury."

25. The Association has written enough regarding the 3½ per cent. Excise Duty which clogged the wheels of the industry for 30 years, and now that the duty is abolished, it is not necessary to traverse the same ground again. The fact remains that the duty was levied in defiance of recognised principles of taxation and contributed to the coffers of Government Rs. 20 crores.

26. The third adverse influence which came into operation about this time was the growth of the cotton mill industry in Japan. It was in the nineties of the last century that Japan began to import cotton from this country with the natural result that she gradually ceased to import yarn and piece-goods from India. The export of the raw material in place of yarn or cloth was a phenomenon which did not augur well for the industrial progress of India, and it is noteworthy to find the Government of India expressing the following views in the Review of the Trade of British India for 1895-96 :—

"With Japan there has been a complete revolution in the trade. A few years ago Japan took no cotton from India, and now the shipments in 1895-96 have amounted to 16 per cent. of the trade, being larger than the shipments to any other country except Germany. This increase in the demand for the raw material has coincided with a great reduction—practically a cessation—of the demand for Indian-spun yarn, the Japanese preferring to spin the yarn themselves. We cannot expect a country to take from us a raw material for yarn if that country prefers to import the yarn, nor can we expect a country to take our yarn if that country finds it more profitable to import raw material and spin the yarn. The two trades cannot co-exist, and, this being the case, it is a matter for satisfaction that the present trade—yarn in the case of China and raw cotton in the case of Japan—is vastly more important than the trade it has displaced."

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* "We all very well know that since the ill-advised currency legislation our industry has been suffering but when we put on paper the figures, the result is very astonishing. I have worked out some figures which give us a clear idea of the exact position we hold now and we did hold in 1893 before the currency legislation, when our industry was in prosperous condition. In ordinary times when the trade is fair and prosperous the margin between cost of cotton and selling price of 20s yarn is 2 annas per lb., 1¼ anna per lb. cost of manufacture and ¼ anna per lb. profit. Now taking cotton for our 20s mixing at an average of Rs. 160 per candy net, after deducting 18 to 19 per cent. as loss, we get clean cotton at 4 annas per lb. Adding to that 2 annas per lb. for cost of manufacture and profit, it comes to 6 annas per lb. Now the whole thing may be summarised in the following figures :—4 annas per lb. for clean cotton and 2 annas per lb. for manufacturing charges and profit. So for one bale of 400 lbs. of yarn :—Rs. 100 cost of cotton and Rs. 50 for cost of labour and profit; total Rs. 150 per bale of 400 lbs. at the rate of 6 annas per lb. of yarn. Rupees 150 selling price of one bale, Rs. 17 freight, insurance, commission, etc., and Rs. 167=54¼ taels per bale in Shanghai at the rate of Rs. 307 for 100 taels. The Chinese and Japanese mills have to carry cotton from Bombay. Cost of cotton to them in 1893 was as follows :—Rs. 100 for 400 lbs. of clean cotton at the rate of Rs. 307 per 100 taels, *i.e.*, selling price 54¼ *minus* cost of cotton 35¼=19¼ taels, margin left to them between cost of manufacture and profit. In 1900, after the currency legislation Rs. 150 selling price of one bale, Rs. 17 freight, insurance and commission, Rs. 167=83¼ taels per bale in Shanghai at the present exchange rate of Rs. 200 per 100 taels. Cost of cotton to the Chinese and Japanese, Rs. 100 for cotton, Rs. 8 for freight, insurance and commission, total Rs. 108=54 taels; for cotton at the present exchange rate of Rs. 200 per 100 taels. Selling price Rs. 83¼ *minus* cost of cotton Rs. 54=29¼ taels left to them for cost of manufacture and profit. Against 19¼ taels in margin in 1893 they have a margin of 29¼ taels at present, a difference of nearly 10¼ per bale of 400 lbs.

Consequently the effect of the currency legislation alone, taking all things as equal, has been to give bounty to our competitors in the Far East to the extent of 10¼ taels per bale; deduct from that about 1¼ taels per bale, which they must pay more for stores imported from England. Also wages in Japan have increased to the extent of 10 taels per bale. Still the advantage in favour in Japanese mills is 8 taels per bale. Now, may I ask in face of these figgures, is it a matter of surprise that since 1893 our trade has gradually been falling down in competition with the Chinese and Japanese mills ? I known that we have shipped to China during the last two years the largest number of bales we ever did. But the question is, at what margin of profit ? Every one will admit that there was no profit to us while the Japanese and Chinese mills were declaring 10 per cent. dividends to their shareholders. When the stock in China is reduced we may yet sell our yarn at profit. The Chinese and Japanese Mills may have certain drawbacks at present which might give us temporary advantage, but on broad consideration of all circumstances my humble opinion is that we hold China market on mere sufferance only as long as Japan and China cannot supply their own demands and that in the near future our trade with China must suffer when the mills there must increase by leaps and bounds to supply the requirements of China. Let us hope that that day may never come, but if it does come we shall have to thank the Government of India for their Currency Legislation."

27. Assuming for a moment that the import of Indian cotton into Japan only meant the cessation of imports of Indian yarn and piece-goods, as evidently the Government of India of the time seemed to imagine, the phenomenon nevertheless could not be contemplated with equanimity. What the Government of India appeared to have overlooked when they made the aforementioned statement was the fact that before long Japanese yarn and piece-goods made from Indian cotton would be competing in the most important foreign market of India, *viz.*, China, and eventually in other foreign and even in the home markets of the indigenous industry.

28. In the seventies and eighties of the last century whenever supply overran demand, short-time working could be resorted to, but the growth of Japanese competition rendered short-time working of doubtful utility, as it only meant giving a fillip to Japanese trade with China at India's expense, and so even at times of acute depression, Indian millowners found it inexpedient to curtail production by short-time working. In 1898, a meeting of Chinese merchants held in Hongkong passed a resolution urging short-time working in Indian mills, but the Bombay Millowners' Association were constrained to express their inability to comply with the request made by the Chinese merchants. It is noteworthy that the Indian Chairman of the abovementioned meeting in Hongkong, in his letter to the Bombay Millowners' Association, warned the millowners of this country against the danger of adopting short-time with the object of reducing stocks, unless the Chinese and Japanese mills followed suit. After pointing out the rapid growth of the cotton mill industry in Japan and Shanghai, he stated :

> "The competition against the mill industry of India will have a permanent tenure, and that competition is daily gaining so much in strength and intensity that any such ephemoral measure as a short-time movement, if adopted exclusively by the Indian mills, and without the co-operation of the mills of China and Japan, would instead of relieving the present congestion, at the least keep intact, if not enhance the present difficulties of over-supply, inasmuch as curtailment of production brought about by the Indian mills would instantly be replaced by the mills of Japan and of China."

29. It was further pointed out that the import duty on cotton and the export duty on yarn had been abolished in Japan and the competition from Japan had assumed a formidable shape for Bombay mills in the China market. The Indian millowners were further urged to agitate for the imposition of an export duty on cotton.

30. While studying the history of the Indian cotton industry, one cannot help feeling that during the nineties of the last century, there was imperative necessity for Government adopting proper measures—either an export duty on cotton or other facilities to the indigenous industry to enable it to maintain its footing in the China market. No other Government would have remained aloof at a time when there were clear indications that the country's greatest indigenous industry was losing its footing in its best established foreign market.

31. The combination of circumstances mentioned above rendered the position of the cotton mill industry of the country not cheering, and for more than ten years after the closing of the mints the industry passed through a period which was far from prosperous, the plague first and two severe famines at its heel having aggravated the situation. At times indeed the position of industry was critical and many mills were forced into liquidation during this period. A couple of extracts from the Review of the Trade of British India are here quoted to show the very critical state of the mill industry during these years.

32. In the Review of the Trade of British India for 1899-1900 we read :—

> "Until the second half of the year, or rather until the third quarter, the course of Indian trade was on the whole prosperous and promising, although the cotton manufacturing industry in Bombay seemed to be reaching a critical stage. It is no exaggeration to say that the cotton spinning industry of Bombay is passing through a crisis from which mills that are not managed on sound principles cannot emerge unscathed."

In the same official publication for 1900-01, we read :—

> "Many of the mills were closed entirely; others worked short hours; very few worked at a profit; in almost every case where profits were earned they were much reduced; thousands of mill-hands were sent adrift in a season of high prices and acute distress. It is greatly to the credit of owners, workmen, and traders alike that they struggled with adversity so bravely and quietly, simply concerning themselves in silence to make the best of a grievously bad position."

33. During all these years the exports of yarn to China showed an increasing tendency but the rates obtained since the currency muddle of 1893 left little or no margin of profit.

The weaving industry also suffered a set-back owing to the imposition of the Excise Duty. It was not till the year 1904, that the industry after a long spell of depression again experienced prosperity, but this prosperous period lasted for only about three years. The growth of the Swadeshi Movement during these years gave a very considerable impetus to the cotton manufacturing industry, and as the yarn trade with China was not found profitable, attention was naturally turned to the installation of more looms so that yarn spun in the mills might be manufactured into piece-goods instead of being exported to China.

34. In 1907, there were large failures, which may be accounted for by the heavy fall in prices realised for yarn in China during the early part of the year, followed later by a great falling off in demand owing to famine in that country and extremely violent fluctuations in the silver exchange during the last quarter of the year.

The Association's report for 1907 further states:—

"The growing competition of Japan is a factor which will have to be coped with more seriously than hitherto, while the prospects once entertained of a fairly new market in Manchuria seem to recede greatly owing to the politico-economic condition consequent the occupation of that province by Japan."

35. The depression which commenced in 1907 continued throughout 1908, 1909, 1910. Cotton ruled high, but there was no corresponding rise in the price of cloth. In the year 1910 the difficulties of the industry were further aggravated by the enhancement of the duty on silver. The matter was discussed at a special meeting of the Committee of the Millowners' Association when the following telegram was despatched to the Finance Minister:—

"The Bombay Millowners' Association strongly protest against proposed enhanced duty on silver as being detrimental and extremely injurious to the mill industry generally and to Indian labour."

36. Sir Sassoon J. David in the Imperial Legislative Council protested against this measure in the following words:—

"I do not propose to recapitulate the burdens under which the Indian Cotton Industry is suffering at this time, but I am sorry that there was not on the Government side a more frank admission of the reality of the fresh burden to be imposed, by the new silver duty, on the trade with the further East. It may be worth while to give one or two figures that show how that important branch of the trade is already being impaired. It should be borne in mind that formerly Japan was one of our best customers, and in 1888-89 she took from us more than 23 million pounds of yarn. Now she takes none; but takes instead large quantities of raw cotton, thereby raising the price of our raw material, while lowering the price of our finished products in the Chinese market. The largest quantity of raw cotton shipped to Japan in a single year was 2,525,200 cwts. in 1901-02. But in the eleven months of the current year 1909-10 no less than 2,873,400 cwts. have been shipped. In the face of these facts and of the increasing activity and efficiency in the Chinese spinning industry, it is vain to pretend that India's trade with the further East is in a position to stand any superfluous handicap whatsoever, and I foresee injury to India's cotton industry from duties that have now been imposed."

37. In spite of the strong protests of the Association's representative, the Bill was carried and the enhanced duty imposed as originally proposed by the Finance Member.

38. The adverse conditions of 1910 continued with brief periods of partial recovery until 1917, when the boom period set in, and which lasted well on into 1922. The demand in the Indian market coupled with freight difficulties had a regrettable result of great importance, namely, the displacement in China of Indian yarns by those of the Chinese and Japanese mills. Indian trade in 16s and 20s with China had practically been at a stand-still for some time, it having been ousted by the mills in Japan and latterly by the mills started in China, but hitherto Japan had not seriously attacked the trade in 10s and 12s. When, however, prices of 10s in India were higher than those of 16s in China, many of the Chinese and Japanese mills took to spinning 10s and 12s and sold thousands of bales to Chinese consumers. It is unfortunate that with the return of normal times, Indian mills have not been able to regain this trade with China, which is now apparently held by local mills while Japan supplies yarns of medium counts.

39. The earlier part of the year 1922 was a period of good profits, though much below the level reached in the preceding year. The trade in yarn was most disappointing, as prices failed to respond to the rise in cotton, with the result that day by day the Mills' margin of profits diminished, and had almost reached vanishing point when the year

closed, and as goods were difficult to move even at low prices there was a general accumulation of stocks. The revived Swadeshi Movement which had given an impetus to the piece-goods trade once again slackened. The curtailment of exports and the financial difficulties of big merchants contributed to the depression of the market.

40. With the year 1923, commenced that period of unparalleled depression which has continued till to-day. The year was marked by spasmodic fluctuations in the prices of both raw materials and the finished article rendering the outlook generally grave. While at one period cotton rates seemed to favour the mills, there was an absolute cessation of demand for cloth, and when enquiries for cloth were forthcoming the prices of cotton ruled so high has not only to leave no margin, but to involve a positive loss to manufacturers. Stocks began to accumulate and month after month passed by without any re-appearance of demand. In the yarn trade too the year was for the greater part extremely disappointing. About the middle of September, however, the general shortage created by the Japanese earthquake began to make itself felt and there was a brisker enquiry and some rise in prices.

41. The year 1924 proved even worse than 1923. The demand for cloth was never very active, as purchasers fought shy of making commitments owing to the continued fall in prices. Throughout the year, the increasing imports of Japanese piece-goods into India had very adverse effects on the home trade.

As regards yarn also, the year proved most unsatisfactory. The demand was slack and the margin at times was so low as to make it impossible for the mills to turn out yarns at any profit.

42. The above brief recital of the history of the cotton mill industry of the country goes to show that since the nineties of the last century, the industry had only one cycle of prosperity in 1904, 1905 and 1906 but the abnormal conditions created by the war and the aftermath of war from the years 1916 to 1922 brought a further spell of prosperity to the industry. But for this the industry would probably have reached its present serious plight at a much earlier date.

43. From the above narration of the history of the cotton mill industry of India, it will be noticed that there were in the main three circumstances which seriously hampered the growth and development of the industry :—

1. The closing of the mints dealt a severe blow to the yarn trade with China which was the most important asset of the industry. The millowners had to turn their attention gradually from yarn to piece-goods. To-day the loss of the China market constitutes a very serious factor in connection with the present situation of the mill industry.

2. The Japanese mill industry became well established in the nineties and has expanded with almost feverish rapidity with serious consequences to the local industry in its home and foreign trade. Japanese competition more than anything else accounts for the present depression of the industry.

3. The third adverse circumstance which came into operation in the nineties was the tariff legislation. This long-standing grievance of the mill industry was only recently removed when the industry was face to face with a crisis of unparalleled magnitude.

Of the three causes which dealt a severe blow to the industry in the past, two are still in operation, *viz.*, the exchange and currency policies of Government and Japanese competition. The almost entire loss of the China market, as stated above, constitutes another important factor to be considered in connection with its present depressed state. In recent times other circumstances have come into being and these are having further adverse effects on the industry. They are enumerated below :—

4. Labour disputes have become more frequent than was the case ten years ago, and as is well-known during recent years, there have been general strikes of very long duration which have seriously dislocated business, inspite of substantial increase in wages and additional bonuses given to the operatives. Wages have been increased to a figure that more than counter balanced the rise in the cost of living, and since the cost of living has again gone down, there has not been a corresponding reduction in wages.

5. Costs of all sizing materials, stores, machinery, coal, etc., are much above the pre-war level and have caused a considerable increase in manufacturing costs.

6. Municipal, Provincial and Imperial taxation has gone up by leaps and bounds and have now become a serious drain on the industry.

7. Insurance charges have substantially increased owing to higher prices of cotton and all materials.

8. High railway and steamer freights hamper the development of the industry especially in the export trade. In this respect, the Japanese with their subsidised steamship lines, have a distinct advantage.

9. There has been a large increase in the interest charges which mills have to bear owing to the increase in the price of cotton, stores, power and machinery.

All these adverse actors are dealt with in detail in subsequent pages.

THE PRESENT POSITION OF THE INDUSTRY

The extent and importance of the Industry

44. A very accurate idea as to the magnitude and importance of the Indian cotton textile industry may be obtained by a perusal of Tables 1 to 7.

Tables 1 and 2 show the number of spindles and looms, the amount of cotton consumed per annum and the number of workpeople actually employed in the industry in Bombay Island and all India respectively. The more important conclusions to be drawn from these two tables are :—

(*a*) that nearly 370,000 people are employed in the industry, which means that at least four times that number, *i.e.*, nearly 1½ million souls are directly dependent on the industry for their daily bread.

In Bombay City and Island the number of persons directly employed in the industry is 153,000 which means that including dependents, more than half of the inhabitants of this great city are absolutely dependent on the industry for their livelihood.

(*b*) The cotton consumed in the mills of India is approximately 2¼ million bales per annum which is roughly equivalent to two-fifths of the entire Indian cotton crop. The agricultural statistics published by the Government of India show that the total area of land cultivated in India is about 760 million acres, including fallow land and the area under cotton about 27 million acres. If it may be assumed that 80 per cent. of the total population of India is engaged in agricultural pursuits, it is possible to frame a rough estimate of the number of persons dependent on the growth of cotton for the necessaries of life. Taking the total agricultural population as 250 million souls then it may be concluded that somewhere in the neighbourhood of $27/760 \times 250{,}000{,}000 =$ 9 million people obtain a livelihood from cotton growing in India. All of these 9 million people are largely dependent on the Indian cotton mill industry, but two-fifths or nearly 3,600,000 are entirely dependent on it. To these two classes of people must be added all those persons engaged in the distribution and sale of cotton piece-goods and yarn, dealers in mill stores and textile machinery, the persons engaged in the transport of cotton, yarn and piece-goods, before anything like an accurate estimate of the total number of persons in India who are directly dependent on the industry could be framed, but it is probably an under-estimation to say that 6 million people are almost wholly dependent upon the cotton textile industry for their daily bread and are enriched by its prosperity and impoverished by its lack of prosperity, a number considerably in excess of the number directly affected by any other industry in the country.

Capital employed in the Industry

45. The capital invested in the industry so far as can be ascertained is not less than fifty crores of rupees. In the mill statement published by the Bombay Millowner's Association in 1925 the total paid up capital is given as nearly 47 crores, but these figures do not include the capital of 55 concerns who submitted no particulars under this head.

Importance of the Industry to the Government of India

46. The importance of the prosperity of the cotton textile industry to the Government can, to some extent, be gauged from the contributions made by it in the form of taxation during the last few years which are dealt with in detail later on.

The financial position of the Bombay Mill Industry

47. The extremely unsatisfactory state of the Bombay mill industry during the last three years can be at once ascertained from Table 8. These figures were compiled by Messrs. A. F. Ferguson & Co. from the published Balance Sheets and Profit and Loss Account of the mills in Bombay City and Island. The figures for 1925 have not yet been compiled but it is certain from the Balance Sheets so far received that the total losses during the year 1925 were even greater than in 1924.

For purposes of easy reference the figures of capital and net profit or loss during the last four years are given below:—

Year	Capital including Reserves and Debentures	Net Profit or Loss
	Rs.	Rs.
1922	32,61,24,086	3,87,51,591
1923	33,53,67,941	— 1,17,82,968*
1924	33,91,35,234	— 2,27,15,893*
1925	....	Estimated to be over — 2,50,00,000*

*Loss.

One need look no further for the reason for the closing down of mills and the number of mills which have recently been forced to go into liquidation.

Production of yarn and piece-goods

48. The total production of yarn and piece-goods in Bombay Island and all India cotton mills is shown in Tables 3 to 7 in the Appendix.

Position of the Bombay Mill Industry in regard to stocks

49. From the beginning of 1923, from which date the depression in the industry has been a matter of very serious concern, the Bombay Millowners' Association have maintained a month to month record of the stocks held by mills in the City and Island of Bombay. These figures are reproduced in Tables 9 to 12.

In the last six months the yarn position has become most serious. In piece-goods the position also gives cause for anxiety and throughout the present year sales have been effected at unremunerative rates or at a loss.

FACTORS LEADING TO THE PRESENT DEPRESSION IN THE BOMBAY MILL INDUSTRY

Loss of the China trade in Yarn

50. Until the year 1893 the yarn trade with China was undoubtedly the bulwark of the prosperity of Bombay's cotton mill industry. Owing to the large market for yarn in China, the spinning side of the Bombay mill industry developed out of all proportion to the weaving side of the industry. Some progress had been made in the weaving section, but to all intents and purposes the piece-goods trade was confined to the Indian market.

In 1893 the Indian mints were closed to the free coinage of silver as a preliminary to the linking of the rupee to gold in 1898 in the interests of the development of trade with gold using countries. The effect upon the yarn trade with China, which still retained a silver currency, was immediate and disastrous and though for some years the average bulk of the yarn exports to China did not diminish, sales had to be made at sacrifice prices. The seriousness of the position was emphasised by persons like the late Sir Vithaldas D. Thackersey and Sir Sassoon J. David in 1899, 1900 and 1901, and it was generally recognised that it was only a matter of time before the yarn trade with China would disappear entirely, owing to the relatively high cost of production coupled with high freights in India as compared with the cost of production in China and Japan.

51. A study of tables 13, 14, 15 and 16 shows—

1. That there has been a decrease in the annual production of yarn.

2. That whereas in 1907-08, 72 per cent. of the production of Bombay mills was marketted in the form of yarn, in 1924-25 only 38 per cent. was put on the market in the form of yarn.

3. That the total export trade in yarn in 1924-25 was only about one-sixth of what it was in 1907-08.

4. That the increase in the number of looms and the consequent increase in the production of cloth in Bombay City and Island has not been sufficient to compensate for the loss of the China trade in yarn.

EFFECTS OF GOVERNMENT'S CURRENCY POLICY

Closing of the Mints to the Free Coinage of Silver in 1893

52. The effect of the change over from a silver currency has been discussed in general terms in the short history of the industry in the previous pages and little more needs to be added to the remarks already made.

As is well known, in the years previous to 1893, when the mints were closed to the minting of silver as a preliminary to the linking of rupee to gold, the exchange value with silver using countries like China only fluctuated within narrow limits. With gold using countries the opposite was the case, and in the year 1898, in the interests of the trade with gold using countries, which, as the Government of India pointed out, was about $\frac{3}{4}$ of the total, it was deemed expedient to link the rupee to gold, and the position in regard to fluctuations in exchange was reversed to the detriment of the export trade with silver using countries. Thus the trade of the Bombay mills with China received a very severe blow, for the trade with China at once became much more speculative. The closing of the mints in 1893 led to an immediate rise of nearly 15 per cent. in the rupee exchange rate with China which meant in effect that the cost of yarn in dollars in the China market was immediately increased. This can be made clear by the following example.

Previous to the closing of the mints the rupee-dollar exchange rate had been fairly constant at or a little over Rs. 200 per 100 dollars. After the closure the rate at once rose to Rs. 175 per 100 dollars. The cost of production of cotton and raw materials in rupees remaining the same, yarn which cost Rs. 100 to produce before the change would cost the Chinese importer 50 dollars and after the change slightly more than 57 dollars, *i.e.*, about 14 per cent. more. Against an insignificant saving in the price of stores, there was undoubtedly a permanent loss in regard to items of cost of production like wages, interest, taxes and depreciation, and the fairly steady rise in the dollar value of the rupee up till 1914 must have steadily increased the dollar cost of production of Bombay yarn, to the great disadvantage of the Bombay mill industry in competition with the indigenous industry in China. During the war the great rise in the value of silver, which would under ordinary circumstances have given a great impetus to the Bombay yarn industry with China, was entirely nullified by the tremendous increases in the cost of production in India brought about by the rise in the cost of living necessitating the grant of very large increases in wages, enormous increases in the cost of stores and raw materials and prohibitive increases in freight rates.

From 1919 there has been a constant fall in the rupee value of the Chinese silver dollar, corresponding with the fall in the value of silver, and this fact coupled with the extension of the mill industry in China has indubitably diminished the prospects of Bombay mills regaining a market for yarn in China in the counts of yarn which can be produced in Chinese mills, and more especially owing to their extremely low production costs caused by inferior conditions of labour, low wages, and double shift working with female labour (*vide* Table 17).

The Effect of the 2/ Ratio

53. During the war the great demand for Indian foodstuffs and raw materials by the Allies, and the diminution in imports caused India's favourable balance of trade to assume enormous proportions, and this fact combined with a phenomenal rise in the value of silver caused the exchange value of the rupee to rise to undreamt of heights in comparison with sterling. Prices of foodstuffs and all the necessaries of life also rose greatly in spite of the rise in the exchange value of the rupee, with the result that wages had to be increased in like proportion. To-day the Bombay mill industry is still paying the same as or higher wages than when the cost of living was at its highest and in addition the hours of labour have been reduced from twelve to ten, the net result being a large increase in the cost of production.

54. The tremendous fluctuations in the sterling value of the rupee, its rapid rise throughout 1919 and the first two months of 1920 and its even more rapid fall during the last ten months of 1920 brought ruin to a great number of dealers in imported and locally made piece-goods who made contracts for imported goods on the basis of the 2/ ratio recommended by the Babington Smith Commission and which the great bulk of the people of India understood to mean a 2/ exchange ratio. How persistently and at what cost the Government of India tried to keep up the exchange value of the rupee and how they failed is writ large in the history of the last decade, but it is not equally well known that the ruin of the piece-goods merchants in 1920 and 1921 is still affecting the off-take of piece-goods of both Indian and English manufacture.

After the Government of India had appreciated the impossibility of realising the aim of the Babington Smith Committee for a 2/ rupee the exchange value gradually drifted down until in July 1921 it had reached the very low level of 1/3¼ sterling (equivalent to 1/0¼ gold). From this low point it rose with slight fluctuations until in September 1924 it had reached 1/5-31/64 (equivalent to 1/4 gold). At or slightly before this date a large proportion of Indian public opinion advocated the adoption of a fixed rate of 1/4 gold and the abolition of the 2/ ratio in the Currency and Coinage Acts, but unfortunately as far as the Cotton Textile Industry of Bombay is concerned, action on the lines recommended was not taken by the Government of India, and from this time onwards the currency operations of Government rendered possible by continued good monsoons caused the exchange value of the rupee to rise until in October 1925 it touched 1/6-5/32 sterling, which owing to the rise in the cross rate raised in the value of the rupee to 1/6-3/32 gold (*vide* Table 18).

55. Mention has already been made that the export trade of Bombay with China in yarn was seriously injured by the divorcement of the ratio of value between the rupee and the Chinese silver dollar. This Association do not wish to anticipate the report of the Currency Commission which is now sitting except to state that in so far as the Bombay Mill Industry is concerned the fixation of the rupee at 1/6 gold would be a misfortune for the mill industry.

56. It is not desired to exaggerate the difficulties brought about by the exchange policy adopted by the Government of India, but it cannot be too emphatically stated that—

(1) The closing of the mints in 1893 and the linking of the rupee to gold drove the first nail into the coffin of the China trade in yarn.

(2) The increase in the cost of production due to the increase in wages given on account of the rise in the cost of living brought about by the war, in spite of the high and unnatural 2/ ratio, has added considerably to the burden on the industry.

(3) The fixation of the value of the rupee at 1/6 gold instead of 1/4 gold would give competing countries a considerable advantage as compared with 1914 in competition with India in the home and foreign markets owing to the fact that it would mean a permanent increase of 12½ per cent. in many items of the cost of production reckoned in terms of international value and this increment combined with the increases in cost of production owing to the great rise in wages compared with pre-war year , would militate against the successful future development of the industry in India and would probably prevent any further progress in foreign markets.

(4) That is, very great impetus has been given to Japanese competitors through the normal parity of Rs. 153 per 100 Yen having been reduced by the recent increase in the gold value of the rupee to 134.

57. The gain which has accrued to Japanese mills by the fall of the value of the Yen to below its pre-war parity of Yen 100 per Rs. 153, may be judged with a very fair degree of accuracy from the following table in which the price at which an Osaka mill could afford to lay down cloth in Bombay from 1921 to the present day is given in comparison with the price at which a Bombay mill could manufacture the same cloth. The figures do not take into account the additional advantage which the Japanese mills obtained owing to the fairly regular monthly fall in the value of the Yen which occurred from February 1924 to February 1925, which has been specially commented upon in the paragraphs dealing specifically with the growth of Japanese competition nor the lowering of costs of production by double shifts with female labour and longer hours. Two assumptions have been made in calculating the figures given in the table, the first being that the average Bombay manufacturing charges have been 7½ annas per lb. since 1921. The second assumption concerns the average Yen cost of manufacture which has been taken as Yen 190 per candy throughout the period named for a mill working single shift. There have possibly been slight variations in this charge, but just as in India the manufacturing charges in rupees per candy have been taken as a constant figure, so in Japan the Yen cost of manufacture has also been assumed at a constant figure, wages having remained about the same during the whole period, and the cost of stores having, if anything, declined since 1921.

One may draw his own detailed conclusions in comparing columns 6 and 11 of the table, but one or two facts of importance stand out clearly which have an intimate bearing on the position of Bombay mills to-day. They are—

1. That in 1921 and 1922 Japanese competition had not assumed its present formidable aspect.

2. That from February 1924 until February 1925 the factor of a gradually depreciating Japanese exchange coupled with the appreciation of the rupee exchange

began to act in favour of the Japanese and enabled them to compete successfully against Bombay mills in the Indian market.

3. That during the whole of 1924 the Japanese were greatly assisted in their competition with Indian mills by the low value of the Yen and its constant depreciation, and that from the middle of 1924 they were able to undersell Indian mills owing to the low value of the Yen apart from the added gain from the gradual depreciation of the Yen.

4. During 1925 and 1926, the Japanese have not had the benefit of a falling exchange, but the general level of value of the Yen has been low enough in itself to enable Japanese mills to undersell Bombay mills by a very considerable margin.

Incidentally, the table also shows why the remission of the Excise Duty brought only partial relief to the industry in Bombay as the Japanese could still afford to sell at prices below those of Bombay mills, and how much further that relief will have to travel before even equilibrium is established as far as Japan is concerned.

Explanation of the Table

A concrete example is taken. A grey shirting made from 18s warp and 20s weft would be made from cotton at or about the price of Broach. Such a cloth could be made equally well by the Japanese from cotton at the same rupee price. In the Table appended a comparison is made between the approximate prices at which a Bombay mill and a Japanese mill working single shift could place such a shirting on the Bombay market for the last five years.

Column 2.—Column 2 of the Table gives the average monthly Telegraphic Transfer rate for the Rupee-Yen exchange since January 1921.

Column 3.—Column 3 gives the average Telegraphic Transfer exchange rate since January 1921.

Column 4.—Column 4 gives the average rupee price for Broach cotton since January 1921.

Column 5.—Column 5 gives the price at which a good Bombay mill would be able to sell a candy of shirting made from the candy of cotton on the average price given in Column 4, neglecting Excise Duty. This price is approximate only because it is assumed that a candy of shirting would be produced from a candy of cotton. The price of cloth has been arrived at by adding on to the price of cotton 7½ annas per lb., *i.e.*, Rs. 370 per candy as manufacturing charges.

Column 6.—Column 6 gives the price of the same cloth including Excise Duty at 3½ per cent.

Column 7.—Column 7 gives the price per candy of Broach cotton converted into Yen at the current rate of exchange.

Column 8.—Column 8 gives the price in Yen for which the Japanese could produce one candy of shirting from cotton at the price indicated in Column 7.

This price has been arrived at by adding to the cotton price the manufacturing charges per candy. Owing to greater efficiency on the part of the Japanese operatives, the manufacturing charges in Japan are not more than 80 per cent. of the manufacturing charges in Bombay when exchange is normal. Fluctuations in the Yen-Rupee exchange have not affected, or only very slightly affect this charge in Yen. Thus just as a constant rupee addition has been made to the price of Broach cotton for manufacturing charges a constant yen addition has been made to the yen price of Broach cotton to ascertain the yen price of cloth in Japan.

Column 9.—Column 9 gives the yen price of cloth in Bombay excluding import duty, and has been obtained by adding yen 20 to Column 8 for freight both ways and charges. This is a very generous addition since the nett freight rate for cotton from Bombay to Japan is less than yen 6½ per candy.

Column 10.—Column 10 gives the price in rupees at which the cloth could be put on the Bombay market by a Japanese mill not including import duty.

It has been obtained by converting the corresponding figures given in Column 9 into rupees at the current rate of exchange.

Column 11.—Column 11 gives the price in rupees at which cloth could be put on the Bombay market after payment of import duty.

Statement showing the Comparative Prices of Japanese Cloth and Indian mill-made Cloth in India

	Rate of Exchange.		Price of Broach Cotton in Rupees, per Candy.	Price of Cloth in Bombay, per Candy.	Price of Cloth in Bombay paying 3½ per cent. Excise Duty.	Price of Broach Cotton in Yen, per Candy.	Price of Japanese Cloth adding 100 Yens for Over-head Charges.	Add Freight 20 Yens.	Price of Japanese Cloth in India, per Candy.	Add Import Duty payable in India.
	Yen.	£								
1	2	3	4	5	6	7	8	9	10	11
1921										
January	180	1·5 5/16	326	696	720	181	371	391	704	757
February	186	1·3 29/32	305	675	699	164	354	374	696	748
March	194	1·3 5/16	265	635	657	137	327	347	677	728
April	189	1·3 5/8	265	635	657	140	330	362	692	712
May	189	1·3 5/16	309	679	703	163	353	373	704	762
June	197	1·3 27/64	336	706	731	171	361	381	751	807
July	207	1·3 1/4	339	709	734	164	354	374	775	833
August	200	1·4 3/16	361	731	756	180	370	390	789	848
September	181	1·5 47/64	521	891	922	288	478	498	902	970
October	174	1·4 51/64	548	918	950	315	505	525	913	981
November	179	1·4 1/8	449	819	848	251	441	461	826	888
December	175	1·4 1/64	484	854	884	277	467	487	853	917
1922										
January	171	1·3 53/64	463	833	862	271	461	481	823	913
February	167	1·3 29/64	415	785	812	248	438	458	765	849
March	171	1·3 9/32	423	793	821	246	436	456	780	866
April	170	1·3 5/32	465	835	864	274	464	484	823	913
May	165	1·3 35/64	496	866	896	301	491	511	844	937
June	164	1·3 35/64	515	885	916	314	504	524	859	953
July	165	1·3 21/32	540	910	942	327	517	537	887	984
August	165	1·3 37/64	523	893	924	317	507	527	870	966
September	168	1·3 9/16	463	833	862	276	466	486	816	906
October	167	1·3 5/8	452	822	851	271	461	481	804	892
November	164	1·3 13/16	474	844	874	289	479	499	812	901
December	159	1·3 63/64	465	835	864	292	482	502	799	886
1923										
January	154	1·4 37/64	499	869	899	324	514	534	822	912
February	152	1·4 7/32	532	902	933	350	540	560	851	945
March	154	1·4 7/64	547	917	949	355	545	565	870	966
April	156	1·4 1/8	523	893	924	335	525	545	850	943

	Rate of Exchange.		Price of Broach Cotton in Rupees, per Candy.	Price of Cloth in Bombay, per Candy.	Price of Cloth in Bombay paying 3½ per cent. Excise Duty.	Price of Broach Cotton in Yen, per Candy.	Price of Japanese Cloth adding 100 Yens for Over-head Charges.	Add Freight 20 Yens.	Price of Japanese Cloth in India, per Candy.	Add Import Duty payable in India.
	Yen.	£								
1	2	3	4	5	6	7	8	9	10	11
1923—*contd.*										
May	158	1·4 3/32	514	884	915	325	515	535	845	938
June	158	1·4 3/32	531	901	932	336	526	546	863	958
July	159	1·4 5/64	513	883	914	323	513	533	848	941
August	161	1·3 63/64	475	845	874	295	485	505	813	902
September	159	1·4 1/8	493	863	893	310	500	520	826	917
October	157	1·4 31/64	530	900	931	338	528	548	861	956
November	157	1·4 59/64	604	974	1,008	385	575	595	934	1,037
December	152	1·5 5/64	643	1,013	1,048	423	613	632	962	1,068
1924										
January	147	1·5 7/64	634	1,004	1,039	431	621	641	943	1,047
February	150	1·4 53/64	604	974	1,008	403	593	613	919	1,020
March	145	1·4 11/16	564	934	967	389	579	599	869	968
April	136	1·4 51/64	569	939	972	418	608	628	854	948
May	132	1·4 51/64	576	946	979	429	619	639	843	936
June	135	1·4 59/64	526	896	927	390	580	600	810	899
July	134	1·5 7/32	516	886	917	385	575	595	797	885
August	128	1·5 1/4	513	883	914	401	591	611	782	868
September	126	1·5 31/64	450	820	849	357	547	567	714	792
October	116	1·6	459	829	858	395	585	605	702	779
November	112	1·5 27/32	468	838	869	418	608	628	703	780
December	110	1·6 3/64	459	827	856	415	605	625	695	774
1925										
January	107	1·5 31/32	456	826	854	426	616	636	681	756
February	109	1·5 25/32	462	832	861	424	614	634	691	767
March	116	1·5 31/32	475	848	878	412	602	622	721	800
April	118	1·5 27/32	459	829	858	389	579	599	707	785
May	118	1·5 31/32	447	817	846	379	569	589	695	771
June	112	1·6 1/32	443	813	841	395	585	605	678	762
July	112	1·6 2/32	453	823	852	404	594	614	688	764
August	114	1·6 3/32	459	829	858	402	592	612	698	775
September	110	1·6 5/32	422	792	820	384	574	594	653	725
October	111	1·6 5/32	406	776	803	366	556	576	644	715
November	115	1·6 3/16	387	757	794	326	526	546	628	697
December	118	1·6 3/16	363	733	..	308	498	518	611	678

1	Rate of Exchange.		Price of Broach Cotton in Rupees, per Candy.	Price of Cloth in Bombay, per Candy.	Price of Cloth in Bombay paying 3½ per cent. Excise Duty.	Price of Broach Cotton in Yen, per Candy.	Price of Japanese Cloth adding 190 Yens for Over-head Charges.	Add Freight 20 Yens.	Price of Japanese Cloth in India, per Candy.	Add Import Duty payable in India.
	Yen.	£								
	—	—								
	2	3	4	5	6	7	8	9	10	11
1926										
January	120	1·6 3/16	358	728	..	288	488	508	609	676
February	124	1·6 3/16	357	727	..	288	478	498	617	685
March	124	1·6 3/16	354	724	..	285	475	495	614	681
April	129	1·5 7/8	339	709	..	263	453	473	610	677
May	130	1·5 7/8	336	706	..	258	448	468	608	675
June	129	1·5 15/16	344	714	..	266	456	476	614	681
July	130	1·5 28/32	340	710	..	261	451	471	612	679
August	131	1·5 29/32	349	719	..	268	458	478	626	695

JAPANESE COMPETITION

58. The unfair competition which the cotton mill industry of this country is meeting from Japan both in the home and foreign markets is one of the principal reasons for the present depressed state of the industry.

59. Judging from the statistical and other official publications it would appear that this very serious menace to the cotton industry of the country is frankly recognised by Government. For the last two or three years, the annual official publication of the Government of India known as "Review of the Trade of India" contains frank admissions by Government of the severity of Japanese competition. Again, in the Report of the Sea-borne Trade and Customs Administration of the Bombay Presidency for 1924-25, it was stated :—

"Japanese competition was severe and in certain instances Japanese goods were offered at prices lower than the cost price of similar goods manufactured in India..... The mill industry is suffering from the unfavourable rate of exchange with Japan and highly organised Japanese competition. The Japanese mill-worker appears more efficient than the Indian mill-hand, while the system of night and day working of their mills combined with factory law restrictions believed much less stringent in application than those of India, reduces cost of production. These and other factors counterbalance the advantages which 7½ per cent. net protection and the absence of the double freight charges give the Indian mills. The abolition of the small cotton excise duty of 3½ per cent. would probably not make much difference as regards the competition of Japan."

60. The cotton industry in Japan had its beginning in the nineties of the last century and has made tremendous strides in the course of the last thirty years as will be seen from the figures of spindles, looms, production, etc., given in Tables 19A to 19H.

Some time back the Japan Cotton Spinners' Association compiled eight tables which are reproduced in Tables 19A to 19H showing the astounding development that has taken place in that country in the brief space of twenty-two years.

61. Three tables prepared by this Association are given after the tables of the Japan Cotton Spinners' Association. (*Vide* Tables 20A, B and C).

Table 20A.—Is made up from the series of tables published by the Japan Cotton Spinners' Association and recently reprinted in the October issue of the International Cotton Bulletin.

Table 20B.—Gives similar particulars for India and is made up from figures published in the Associations' Annual Reports and the Annual Sea-Borne Trade Returns of British India.

Table 20C.—Is a comparative table showing at a glance the growth of the Japanese yarn and cloth export trade to India and China and the concurrent decline in the Indian export trade to China.

The conclusions which are to be drawn from the tables are many and striking, but the more obvious ones are :—

(*a*) With a total spindleage of less than five million, Japan produces over two million bales of yarn per annum, whereas India with 8⅛ million spindles only produces 1⅛ million bales of yarn.

(*b*) With only just over 60,000 looms Japan produces well over a 1,000 million yards of piece-goods per annum ; India with 2½ times as many looms, only produces 1,700 million yards of cloth per annum.

The effect of this on the cost of production of Japanese piece-goods and yarn will be apparent.

(*c*) Japan, owing to her larger production of yarn and piece-goods for export has a much better balanced trade than India.

(*d*) The cotton consumed by 5 million spindles in Japan is considerably greater than the cotton consumed by 8⅛ million spindles in India.

(*e*) From Table 20C, taking a five-year average, it will be seen that while Japan has almost maintained her yarn export trade with China, India has almost entirely lost hers.

(*f*) In piece-goods, the position is much more unfavourable to India, the value of India's piece-goods export trade to China being only about 1/10 of what it was, Japan's trade has increased forty or fifty fold.

62. What strikes one most in considering the growth of Japanese competition is the amazing rapidity with which her imports into this country have gone up. It may be

broadly stated that in 1914-15, the total imports of Japanese yarn into India were less than a million pounds while in 1924-25, *i.e.*, about ten years later, the quantity imported was, more than thirty-two times the figure of 1914-15. Again, in piece-goods, the quantity imported in 1914-15 was about 16 million yards and in 1925-26 it had risen to nearly 220 million yards.

63. The underquoted figures of imports of Japanese piece-goods into this country during the last five years show how rapidly these imports are increasing :—

Year	Quantity in yards	Value in Rs.
	(100 omitted)	(100 omitted)
1921-22	90,275	36,702
1922-23	107,778	42,490
1923-24	121,902	45,945
1924-25	155,302	57,463
1925-26	216,829	68,814

It is this extraordinary rise every year in Japanese imports which fills with dismay the minds of every body who has a stake in the cotton mill industry of the country. If the Japanese imports go on increasing at the present rate one hesitates to contemplate the plight in which the cotton mill industry of the country will find itself in about five or six years time.

64. It has, however, been alleged that the competition which the Indian cotton industry is meeting from Japan is insignificant, and in support of this statement statistics are adduced to show that the imports of Japanese goods into this country form a small percentage of the quantities produced by Indian mills and it is stated that this small percentage cannot have any appreciable effect on the indigenous industry. There is a three-fold fallacy underlying this argument. The first fallacy is pointed out in the following extract from the London "Times" :—

> "The question of Japanese competition cannot be judged by a mere mention of her present proportion of the total Indian cotton trade. Her advance is best estimated by considering the remarkable progress made since pre-war years."

If the present imports be not deemed sufficiently large to have any detrimental effects on the cotton industry of this country, an altogether erroneous assumption, as pointed out further on in this statement, still can it be maintained, in the face of the tremendous increases in the imports every year, that no action is called for to check this annually increasing growth ? Is it contended that no action should be taken until the imports have become sufficiently large to kill the indigenous industry ?

The second fallacy underlying the argument quoted above is that it takes no count of the effects of Japanese competition on the export trade of this country. It is forgotten that not only is Japan dealing severe blows to Indian manufacturers in Indian markets, but she is making rapid in roads in the export markets. In the words of the "Administration Report of the Bombay Presidency for 1923-24."

> "Since 1917, China has been practically a closed market for Indian piece-goods owing mainly to the expansion of the indigenous textile industry and to the rigour of Japanese competition."

India has practically lost her export trade in yarn, and since this yarn has necessarily to be utilized in manufacturing cloth, it is of the utmost importance to develop the export trade, but here again Japan with the unfair advantages she is enjoying over India is proving a very formidable rival, for not only has she ousted India from the Chinese market, but is rapidly capturing her foreign markets, *e.g.*, Egypt, East Africa, etc.

But the greatest fallacy underlying the argument that Japanese imports are too insignificant in quantity to have any adverse effects on the indigenous industry is that it entirely overlooks the well-known economic fact that in the case of all commodities it is the marginal quantities that raise or lower prices. If the demand for a certain commodity is equalled by the supply, normal prices will rule in the market. If the supply, however, is 5 per cent. less than the demand, prices will not rise merely by 5 per cent. but by a much higher figure. The Japanese imports which are for reasons explained

below sold in the Indian market at prices below the cost price of similar goods in India constitute the marginal quantity which has an effect on prices of Indian mill-made goods, although these Japanese imports are only a small percentage of the quantity of piece-goods manufactured by Indian mills.

65. One of the most characteristic features of Japanese competition is that the Japanese select particular descriptions of goods which are manufactured in India. This serves to lower prices of those particular descriptions and this reacts on prices all round. The most striking instance of this is afforded by the manner in which the Japanese have attacked the trade in sheetings, T-cloth and domestics. The imports of this description of goods ten years ago was only about 6 per cent. of the total quantity placed on the Indian market, while at present the imports in this description are very nearly the same as the quantities manufactured by Indian mills. In this description of goods Japanese imports show a very marked increase. In 1915-16 while they were about 1½ millions of yards, were 52 million in 1918-19 and have stayed at a comparatively high figure ever since. Thus:

Imports from Japan of plain grey sheetings in millions of yards

1918-19	52
1919-20	16
1920-21	41
1921-22	35
1922-23	41
1923-24	54
1924-25	34

66. The Bombay Millowners' Association maintain that the mill industry in Japan enjoys certain special advantages over the indigenous industry, and these special advantages make the competition from Japan grossly unfair, necessitating special protective measures on the part of the Government of India in the interests of the cotton mill industry of this country.

67. The strongest complaint which the millowners of this country have to make against Japan is that she has failed to carry out the convention adopted by the International Labour Conference held at Washington in 1919, which she had provisionally agreed to. As is well-known, all the conventions adopted by the International Labour Conference were not applicable to Japan and India, and special conventions regarding hours were drawn up in respect of these two countries. The Government of India readily carried out all the most important conventions and in this they received the loyal support of the Bombay Millowners' Association. The Government of Japan, however, have failed to carry out the convention although their delegates at Washington had accepted them. The Hours Convention imposed a 57 hours week on Japan and a 60 hours week on India, and in connection with this fixing of hours of work in the case of the two countries, it is particularly interesting to note that Mr. George N. Barnes, who was Chairman of the Special Committee at Washington, which went closely into the whole question in a letter to the London "Times" on 5th February 1926, emphasised the fact that the Hours Convention was carefully drawn on the basis of ascertained equivalents in the costs of production so far as such could be ascertained by statements as to relative efficiency of labour. It is clear from this that the object of the Washington Conventions was not only to put a stop to what are generally known as "Sweated Labour Conditions" but also to put competing countries on a footing of equality. Under the circumstances, it will be generally agreed that the Indian mill industry has just and legitimate grievance owing to Japan's failure to carry out the hours convention.

68. Another important convention adopted at Washington prohibited the employment of women and children at night and it is well-known that this convention has not yet been observed by Japan.

It is by working twenty to twenty-two hours a day in double shift and by employing women and children at night that the Japanese are able to turn out goods much in excess of their home requirements and at a cost which is necessarily less than the cost of manufacturing similar goods in countries which work one shift and do not employ women and children at night. This surplus production Japan is able to export to India and India's foreign markets at prices at which Indian mills cannot afford to manufacture.

69. In April last the Honourable Sir Charles Innes had a conference with the Committee of the Bombay Millowners' Association and subsequently Sir Charles prepared a statement

summarising the discussion that had taken place and embodying his own views. On the subject of the advantages enjoyed by Japan, he stated :—

"I was prepared to admit that the Japanese Millowner had an advantage in that he worked double shifts. Our information went to show that in Japanese spinning mills the proportion of women to men was as 3 to 1 and that on an average 26 days per month and 19 hours per day were worked. There were two shifts. The result was that in 1923, the output per spindle was more than 200 lbs. of yarn. In India in 1924-25, the output per spindle was 87lbs. of yarn. Thus, the Japanese clearly got the advantage of large scale production. Similarly certain facts had come to our knowledge about the weaving mills. The ratio of women to men was 5 to 1. Particulars of 19 big mills showed that they worked 26 days per month and an average of 14 hours per day. The output of cloth per loom was 19,000 yards in a year. In India it was 13,000 yards."

70. It is true that the Honourable Sir Charles Innes was not prepared to admit that Japanese competition was the sole factor contributing to the present depression of the mill industry, but the above-quoted extract at least goes to show that the Japanese enjoy undisputed advantages in their competition with the mill industry of this country.

71. The usual excuse brought by Japan for not carrying out the Washington Conventions is that she has framed an amended Factory Act.

The amended Factory Act was framed in 1923, but the Japanese Government, on one pretext or other, delayed enacting the measures till 1st July 1926. The enforcement of this so-called amended Act, however, will not, for the reasons given below, place Japan on a footing of equality with India so far as labour conditions are concerned. (For copy of Act see Appendix I.)

72. In the first place the Act lays down no conditions as to the hours of work in the case of adult males. The employment of women and children under 16 years of age for more than 11 hours a day is prohibited, but it should be noted that for a period of fifteen years from the enforcement of the law, *i.e.*, July 1926, the competent minister has the power to extend the number of working hours in the case of women and children to 13.

73. Again, under Article IV, factory owners are prohibited from employing women and children between 10 p.m. and 5 a.m. but with the sanction of Government authorities they may be employed till 11 p.m. Article IV, however in cases where workmen are employed in two or more shifts is not to be made applicable for the three years following the enforcement of the law, *i.e.*, women and children will continue to be employed as at present on night work till 30th June 1929, after which they are not to be employed between 10 p.m. and 5 a.m. This does not therefore absolutely stop the working of women at night. By an ingenious system of shifts they can be employed up to 10 p.m. and with special permission up to 11 p.m. for fifteen years the result being that the mills could be kept working for 18 hours a day instead of 20-22 hours. It will be seen from the above that the so-called amended Factory Act of Japan does not fulfil by any means the conditions laid down at Washington and the enforcement of the Act cannot by any stretch of imagination be said to remove the legitimate grievance of the Indian millowners.

For further information on this subject we would refer the Tariff Board to an authoritative article published in the "Times of India" of 5th February 1926 under the heading "Labour Conditions in Japan Imperative need of reform" which has been reproduced in Appendix 2. The attention of the Board is particularly requested to the extract from the article from the pen of Shunzo Yoshisaka, Director of Factory Inspection, in connection with the almost barbarous system of recruiting labour prevailing in Japan. The extract from the Japan Year Book regarding labour conditions in Japan is also noteworthy. The criticism contained in the article in the "Times of India" regarding the so-called Factory Act of Japan is trenchant and to the point.

74. While on the subject of the Factory Act of Japan, it would not be perhaps out of place to refer to the stringent conditions laid down the Indian Factories Act as regards hours of work in the case of adult males and children and also as regards ensuring the health and safety of the operatives. There are special provisions regarding ventilation, lighting, purity of water used for humidifying, latrines and urinal accommodations, water supply, means for escape in case of fire, fencing conditions of building or machinery, etc. Such provisions are conspicuous by their absence in the Factory Act of Japan.

75. In India, there is also a very well-regulated system of inspection to ensure the strictest compliance by Factory owners with the provisions of the Factory Act. Heavy fines are imposed in cases of infringements. The Act also provides for the appointment of certifying surgeon by the Local Government and no child can be employed in any

factory unless he is in possession of a certificate granted by the certifying surgeon, to the effect that he is not less than 12 years of age and is fit for employment in a factory. Again where a Factory Inspector is of opinion that a child employed in a factory is no longer fit for employment, he may serve on the manager of the factory a notice requiring that such child should cease to be employed until he has been re-examined by a certifying surgeon or by a registered practitoner authorised by a certifying surgeon in this behalf. There are no such conditions in force in Japan.

76. We have referred previously to the depreciated exchange of Japan which confers a considerable advantage on her export trade. It would however be not out of place to quote the opinion of an independent and authoritative journal like the "Financial Times" of London. In an article in the issue of the 9th November 1925, it was stated :—

"Owing to the appreciation of the rupee-sterling exchange to a fraction over 1*s.* 6*d.* and the depreciation of the sterling-yen exchange from the 2*s.* par value to 1*s.* 8*d.* (approximately) the rate of the rupee-yen exchange is now Rs. 110 : 100 yen, as compared with the pre-war ratio of Rs. 150 : 100 yen, a depreciation of the yen in terms of the rupee of over 27 per cent. Although it may be argued that the Japanese exporter has to pay more proportionately for the raw cotton which he largely purchases from India, the latter represents only about 80 per cent. and 55 per cent., of the value of the finished products in the case of yarn and piece-goods respectively. Proof of alleged rebates and subsidies is obviously difficult to obtain, but the fact remains that exemption from the 10 per cent. consumption tax leviable on all textile manufactures in Japan is allowed if and when the goods are subsequently exported. That rebate and the exchange advantage are important factors in the successful competition of Japanese goods in the Indian market in spite of the incidence of the present rate of import duty on yarn and cloth."

77. It may be further recalled that another independant authority, the British Trade Commissioner in India, Mr. Ainscough, in his last annual report stated :—

"The Japanese have been greatly assisted by the fall in the yen exchange. They were able to buy cotton in India, early in 1924 on the basis of Rs. 130-150 for 100 yen. They have since been making large shipments of both yarn and cloth on a basis of Rs. 115-120 per 100 yen, thus securing an advantage of 10-20 per cent."

78. Lastly, there are other indirect subsidies as regards freights, etc., in Japan which give further advantage to Japanese exports in competition with the manufactures of this country. Interested parties deny the existence of subsidies, but the following extract from the March number of the Japan Financial and Economic Monthly affords conclusive evidence as to how the Government of Japan are subsiding steamship companies with a view to help the industries in developing their foreign trade :—

"It must be mentioned in this connection that with the falling of exchange, markets for our cotton goods have been extended to the Balkan Peninsula, Asia Minor, Africa, South America and Australia. The fact that a new service has been opened to the eastern coast of Africa by the Osaka Shosen Kaisha at the *command of the Department of Communications* will surely contribute in no small degree towards assuring the permanency of the newly acquired markets in those quarters. It was announced some time back with a view to expand Japan's export trade in yarn, the Government of that country had granted a subsidy of 400,000 yen to an East African Coast Service."

The underquoted paragraph from the "Osaka Mainichi" of 30th May 1926 also goes to show how the Government of Japan subsidise the Steamship lines :—

"It is understood that the N. Y. K. intends to build three vessels each of gross tonnage of 14,000 tons of the declared speed of 18 knots, with Diesel engines, costing about Yen 30,000,000 in all. The company is to secure the capital by issuing bonds at 8 per cent. interest. When completed, the vessels will be placed on the North American route, to make seventeen trips a year. The company is to get a Government subsidy of Yen 2,860,000 a year."

79. The following extract from the "Japan Chronicle" dated the 8th April 1926, throws some much-needed light as to the kind of measures which the Japanese Government are adopting to encourge the development of the export trade of the country. The policy of the Japanese Government in this matter is in striking contrast to the "laissez faire" policy of the Government of India :—

"The 'Asahi' reports that the scheme of the Foreign Office to further Japan's economic development in Persia and the South Seas is making fair progress. The Supplementary Budget for the Fiscal year 1926-27, includes an item relating to investigations into trade development in the South Seas involving Yen 24,299, and another item bearing on similar investigations in Persia and neighbouring countries to

Yen 56,204. With regard to the investigations into economic conditions in Persia and neighbouring countries, it was started soon after Mr. Obata, Ambassador to Turkey, arrived at his post some time ago, and judging from the results of the sample exhibition of Japanese exports which was held at Constantinople, it is hoped that it is not altogether impossible for Japanese goods to be exported to the Balkans, Asia Minor, Persia, and Afghanistan to the amount of Yen 100,000,000 a year. At a conference on investigations into trade development, which is to be held at Constantinople for ten days from the 20th instant, it is expected that recommendations to be submitted to the Foreign Office will be considered and adopted. These recommendations will furnish valuable materials for reference for those Japanese traders who wish to export their goods to those countries. In the meantime, the Government is contemplating establishing Consulates where they are required for trade purposes.

"As regards trade development in the South Seas, the Foreign Office is to call in Tokyoa conference of Consuls appointed to Calcutta, Batavia, Singapore, Bombay, Sydney, Manila, Hongkong, Haifong, Saigon, Rangoon and Bankok, at which will also be present the officials of the Departments concerned and businessmen chiefly interested in the South Sea trade. At this Conference, matters relating to Japan's economic development in those districts will be thoroughly studied."

80. It is a well-known fact that in Japan subsidies and bounties are given to industries in a variety of ways too subtle to be detected without access to official records and statistics. Recently, however, "an elaborate and most valuable report" on shipping and ship-building subsidies and monetary grants paid in Japan was prepared by Mr. R. Boulter, C. M. G., Acting Commercial Counsellor at Tokio. The Board of Trade Journal while announcing the compilation of the report by Mr. Boulter stated that it might be consulted at the Department of Overseas Trade. Efforts were made by a certain gentleman in London on behalf of this Association to inspect Mr. Boulter's report but he was not allowed to do so on the score that the report was confidential. It is understood that the Government of India, Department of Commerce, have received a copy but they have been also asked to treat it as confidential and it has therefore not been possible for them to let this Association have a copy.

The whole position in this respect appears to be quite anomalous. The question of the subsidies paid in Japan is one of vital importance when examining the nature of Japanese competition, and it is hardly right or fair that the parties most interested in the matter should be denied access to the valuable report prepared by the Commercial Counsellor at Tokyo.

81. We attach herewith correspondence which has taken place between this Association and the Japan Cotton Shippers' Association, Bombay (Appendix 3), also an article which appeared in "Capital" written by the Japan Cotton Spinners' Association and this Association's reply thereto. (Appendix 4.)

The following extract from the International Cotton Bulletin, page 426, April 1926, is significant:—

"The Japan Cotton Spinners' Association has just published the divided declarations of its 151 member mills for the first half of 1925, the dividends declared being averaged at the rate of 16 per cent. per annum. The highest earnings were made by one of the large companies which declared a dividend at the rate of 38 per cent. per annum for the period, while the smallest dividend declared was 5 per cent. by one of the smaller concerns."

This shows how the Japanese mills have thriven owing to their system of working (*vide* Table 21 which gives the profits of a large percentage of mills in 1924 and 1925). The Japanese mills do not publish Profit and Loss Accounts but only Balance Sheets. We attach also one copy of a statement issued by the Japan Cotton Spinners' Association giving particulars of the Japanese cotton spinning and weaving industry for 1924.

Cost of Manufacture

Labour

82. The main factor which has contributed to the present increased cost of manufacture is the higher remuneration given to labour, for a smaller unit of work as compared with pre-war years. When dealing with the effect of the Government of India's currency policy on the industry, a passing reference was made to the increases in the wages given to labour, but in order to obtain a clear idea as to the extent to which the increased cost of labour has affected manufacturing costs, it is necessary to go into somewhat greater detail.

83. The figures of wages given in the two wage census tables prepared by the Bombay Labour Office throw some light on the question and copies of the reports on the 1921 and 1923 wage census are attached to this statement to facilitate reference thereto by the Tariff Board.

84. From 1898 until 1910 the exchange value of the rupee was steady at 1*s.* 4*d.* and during the whole of this period the cost of production remained constant, wages remaining about the same level throughout these years.

85. Through the courtesy of one of the members of this Associaion it has been possible to prepare a comparative statement of the wages paid in the chief occupations in a cotton spinning and weaving mill, from 1910 until the present time, which may be tken as typical for the whole of the Bombay mill industry. These figures are given in table 22. The 1910 wage has been given an index number 100 in each case for convenience in estimating the extent of the increases in wages.

86. From this table (which should be compared with Table 23 giving the cost of living for Bombay) it will be seen that as compared with 1910 the wages of mill operatives in Bombay have increased by well over 100 per cent. In addition it must be remembered that during the period mentioned, the hours of labour for factory operatives have been reduced from 12 to 10. In addition to the above increases in wages, a bonus equivalent to one month's wages was given to operatives for five successive years from 1918 during the years when the industry made handsome profits. The total payment of the industry under this head being in the neighbourhood of Rs. 2½ crores, not to mention the additional advantages provided to workmen in the shape of free medical treatment, etc.

87. The major portion of this substantial increase in wages, as will be seen from the table, was given during the period from 1913-20, *i.e.*, during the war and in the immediate post-war years in order to meet the increase in the cost of living.

88. With the fall in the cost of living since the end of 1920 (*see* Table 23) despite the fact that the industry has gradually fallen from prosperity, no reduction in wages has been made. As is well known, the decision to reduce wages last year led to a general strike lasting for nearly three months, and the cut in wages was restored when Government announced the suspension of the Excise Duty.

89. Whether wages will have to be reduced in the future depends largely upon the severity of foreign and more particularly Japanese competition. Reduction in wages is a step which the Association would be reluctant to take as may be judged from the fact that during the whole course of the Association's history no reduction has ever been made in the mills of Bombay City and Island as a whole.

Manufacturing Costs

90. Dealing with the main items contributing to the cost of manufacture *seriatim*, the following remarks will throw considerable light on this subject.

Cost of Cotton

91. The cost of cotton really enters indirectly into the cost of manufacture, by reason of the fact that any increase or decrease in the price of the raw material affects the total value of the finished product and this alters the charges which have to be met by way of interest and insurance.

92. By the courtesy of one of the members of the Association who supplied particulars as to cost of production in 1914 and 1924, it is possible to give a fairly exact idea as to the total increase in the cost of cloth manufactured and the increases under each head of cost at the present time as compared with pre-war in one of the most economical mills in Bombay. These figures by no means represent the average for Bombay mills but are given merely to show the percentage of difference between manufacturing costs in 1914 and 1925.

The total cost of manufacture in 1914 in pies per lb. is shown in column 1 of the Table at the end of paragraph 104.

In column 2 is shown the total cost of manufacture in pies per lb. and the cost in pies of each separate item in 1924.

Column 3 shows the increase in price of each item of the cost of manufacture as compared with 1914.

Comparing Column 1 and Column 3

93. *Spinning Stores.*—In 1924 were on the average 45 per cent. higher than in 1914, or in other words cost nearly 1½ times in 1924 what they did in 1914. A comparative

statement showing the prices of certain articles included under the head stores is shown in Table 24.

94. *Mill Wages.*—Wages for mill labour have increased on the average by 111 per cent., as compared with 1914. The price of labour has been discussed in some detail in another portion of the Association's written evidence, but it would not be out of place at this stage to point out that in England the increases in wages-rates to-day as compared with 1914 are as follows :—

Card Room	..	..86 per cent. increase	..	Universal List
Frame Department	..	..86 „ „	..	„
Cop. Packing	..	..90 „ „	..	Oldham and District List.
Ring spinning	..	..90 „ „	..	„ „
Firemen and Engineers— (Time Rates)	..	..70 „ „	..	„ „
Weaving	..	..90 „ „	..	Universal List.

The actual money wages earned have increased to a much smaller degree owing to the reduction in hours from 55 to 48 per week.

95. *Cost of Power.*—In the mill concerned, the increase in the cost of coal according to the figures in the Table was 87 per cent. In other words, power costs in 1924, coal being the source, were nearly double as much as in pre-war years. Where electric power is used the charge in 1915 was ·55 annas per unit, the charge in 1924 was ·725 annas per unit exclusive of the steam used for other purposes.

96. *Municipal Taxes.*—Municipal taxation has risen to nearly 2½ times the pre-war figure. (*See* also Table 25.)

97. *Insurance.*—Insurance charges have increased to over three times the pre-war figure owing to higher prices of cotton and machinery stores.

Since 1924, the Association has managed to obtain a 25 per cent. rebate on the premiums paid for fire insurance of fire proof mills.

98. *Office salaries and general supervision charges.*—This item constitutes a very small proportion of the cost of manufacture, but as compared with 1914, the increase has been 115 per cent.

99. *Agents' Commisson.*—The amount paid as Agents' Commission was less in 1924 than in 1914. In many cases the agency commission has been nil or a nominal amount only for the last three years, as this commission in most of the Bombay mills is now paid on profits.

100. *Interest.*—The mill from which the figures were taken is in a particularly happy position compared with most other mills in Bombay City owing to the possession of large accumulated reserves, available for financing the purchases of raw material but even so interest charges in 1924 were about 116 per cent. more than in 1914 owing to the high value of all materials, particularly cotton.

101. *Commission on Sales.*—The commission on sales varies with the price of the finished product as it is based on the cost of the mill outturn. But selling agents have to guarantee the mills against bad debts of merchants and their financial risks are of course increased when the price of cloth is high.

Comparison of total manufacturing charges in 1914 and 1924

102. The total manufacturing charges excluding any charges for depreciation rose by nearly 100 per cent. in 1924 as compared with 1914.

There have certainly been slight reductions in the cost of stores during 1925 and 1926 but against this factor interest charges owing to the reluctance of the banks to lend money while the industry is depressed have been increased. In no other items can there have been any considerable changes and it is an indubitable fact that to-day the industry is saddled with a cost of production per lb. which is approximately twice the pre-war cost.

The possibility of decreasing production costs to any appreciable extent seems remote, and the rise in costs except as regards wages and salaries, has been due to factors outside the control of the industry.

103. When Sir Charles Innes recently visited the Association he maintained that one of the reasons for the present depression of the industry was probably that yarn and cloth prices had not come down to the same extent as the price of cotton.

His exact words are reproduced below :—

"What was really wanted before the industry could get into a really healthy condition was a reduction in the price of cloth, so that it might be more in relation to the general level of prices. There had been a reduction as shown by the index figures for December 1925 :—

Row Cotton	Cotton Cloth	All Commodities
158	233	163

But even so the price of cloth was still much too high, and since the effect of higher duties would be to send it higher still, it was doubtful whether those higher duties would be to the real advantage of the industry in the long run."

104. Sir Charles Innes was at fault in regard to the index number for cotton cloth inasmuch as he took the Calcutta index number which included English cloth. Had he taken the index number for Indian cloth it would have been much lower. From the current quotations issued by the Millowners' Association, the price of Longcloth in July 1914 was 9½ annas and at the end of December 1925 17½ annas, which was equivalent to an index number of 184 in December 1925 and not 233 as stated by Sir Charles Innes. The price of Longcloth at the end of June 1926 was only 17 annas which corresponds to an index number of 179 (*vide* Tables 26 and 27).

Thus the fall in the price of Indian cloth while it has not corresponded fully with the fall in the price of cotton, is much more substantial than Sir Charles indicated, and moreover it would be impossible for it to fall to correspond with the price of cotton while the cost of manufacture is still double that of 1914.

Cost of Manufacture

——	1914	1924	Comparative cost in 1924 (cost in 1914 equals 100)
	Pies	Pies	
Coal	5·40	10·09	187
Stores	9·98	14·46	145
Labour	18·78	39·69	211
Office and Supervision	1·59	3·41	215
Fire Insurance	·55	1·67	303
Municipal and other Taxes	·61	1·57	257
Interest	2·62	5·66	216
Commission on Cloth	2·47	4·60	186
Excise Duty	3·86	9·35	242
Dyeing charges	2·36	4·40	186
Total ..	48·22	94·90	197
Agents' Commission	0·95	0·83	87
Income Tax and Super Tax	·49	1·94	400
Total including Agents' Commission, Income Tax and Super Tax..	49·66	97·67	197

Cotton cess and the town duty on cotton are not included in the above statement. The approximate cost of these two taxes works out at ·4 to ·5 pies per lb. The duty on stores is included in the cost of stores and is not shown separately. Duty on machinery is also not shown in the statement as this has been included in the cost of machinery as a capital charge.

The Industry's Contribution to the Revenues of the Country in the form of Taxation

Contributions to the Imperial Exchequer by the Industry

105. *Income Tax.*—The income-tax paid by *Bombay City and Island mills alone* during the last four years is as under :—

	Rs.
1922-23	1,38,48,567*
1923-24	71,26,890*
1924-25	17,20,195*
1925-26	7,69,195*

From these it will be seen that the decline in the prosperity of the Bombay industry since 1922 has directly reduced the revenue of the country by more than Rupees 131 lakhs per year under the head of Income Tax alone.

In pre-war days income-tax was only 6 pies per rupee, but this has now been increased to 1½ annas.

106. *Super Tax.*—Was not levied in 1914 on Companies or individuals but in 1919 was levied on a sliding scale for individuals and at the flat rate of one anna per rupee on companies and the figures of the super-tax paid by Bombay mills during the last four years show the following contributions to Imperial revenue :—

	Rs.
1922-23	89,60,505†
1923-24	45,26,260†
1924-25	9,94,172†
1925-26	4,25,297†

Here again the decline in prosperity of the Bombay mill industry has materially affected the Bombay Presidency's contributions to imperial revenues. The loss of revenue to the Imperial Exchequer under the head of super-tax has been no less than Rupees 85 lakhs in 1925-26, as compared with 1922-23.

To these figures of income-tax and super-tax paid by Bombay Mills must be added the large figure of the income-tax paid by the employees and super-tax paid by private individual shareholders, whose major source of income is obtained from the dividends received from mill shares, before an exact estimate can be made of the permanent loss which the revenues of the country would suffer by a continuance of the present depression in the industry.

Cotton Cess

107. The revenue which the Government derive from the proceeds of the cotton cess are devoted to the improvement of the Indian cotton crop and as such the tax is unobjectionable, but at the same time it is necessary to point out that it constitutes in the aggregate a burden on the industry, which did not exist in pre-war years. Since April last the original rate of 4 annas per bale has been reduced to 2 annas.

The figures below show the realisations from this tax during the last three financial years :—

	1923-24	1924-25	1925-26
	Rs.	Rs.	Rs.
All India Mills	4,49,445	5,12,645	5,01,528
Bombay Island Mills	1,95,872	2,29,059	1,93,943

Import Duties on Stores and Machinery

108. It is somewhat difficult to estimate the contribution which the cotton mill industry of India makes to Government revenues in the form of duties upon stores, but an approximate estimate was made by this Association in a letter addressed to the Government of India in 1924—the relevant portions of which are reproduced in Appendix 5.

From this statement it will be seen that the contribution of the mill industry in the form of duties on mill stores is in the neighbourhood of Rupees 50 lakhs per annum. In addition,

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*Approximations made by the Income-tax Department. †Actuals.

during the last five years the industry has contributed the following amounts to Government revenues in the form of duties on cotton textile machinery imports :—

	Value of machinery imported	Duty at 2½ per cent. *ad valorem*
	Rs.	Rs.
1920-21	3,67,38,510	9,18,462
1921-22	7,64,18,158	19,10,452
1922-23	8,49,00,681	21,22,515
1923-24	5,60,14,868	14,00,370
1924-25	2,67,60,961	6,69,022

The great bulk of this revenue will automatically disappear if measures cannot be concerted to restore the industry to prosperity.

It must be remembered that stores and accessories used by cotton weaving mills were until 1918 allowed to be imported free of duty, but the Government of India in that year, owing to serious deficits, levied these duties which now range from 2½ to 15 per cent.

Other Contributions to Imperial Revenues

109. Until December 1925, the industry contributed very substantially to Imperial revenues in the form of Excise Duty on cloth. In 1924-25 this duty amounted to Rs. 2,10,00,000. Since 1896, the total amount of revenue collected from the industry has been more than Rs. 20 crores.

110. *Municipal Taxation.*—In regard to Municipal taxation it will be seen that the Bombay mills are taxed extremely heavily.

The figures of the amount paid in the form of General Tax, Halalkhore Tax and Water Tax during the last few years shown in Table 25 will give some idea of the value of the industry to the City of Bombay and the great increase in taxation which the industry has to bear to-day as compared with pre-war years despite the fact that the number of cotton mills in the Island has not increased during the last ten years.

Incidentally it should also be mentioned that since April 1st, 1925, the charge for water, in spite of vigorous protests, has been increased to 16 annas per 1,000 gallons, a rate which is probably higher than in any large industrial centre in the world.

The chief reason for the great increase in revenue from General Tax and Halalkhore Tax is that since 1914, assessments have been increased by 87½ per cent. and in addition the rate of tax has also been raised from 9⅞ per cent. to 11½. These increased demands on the industry certainly cannot be justified in the present circumstances.

111. *Town duty on Cotton.*—In addition to the ordinary taxes mentioned above, the industry has to bear a further special tax of Re. 1 per bale on all the cotton consumed in the mills. The payments received from the Bombay mills from this tax, which amount to Rs. 10-12 lakhs per annum, is shared by the Development Department and the Municipality, and the object of the tax was the provision of cheap and satisfactory housing accommodation for the mill-hands. The failure of the housing scheme, in the opinion of the Association, makes the continuance of this tax unjust, though from the correspondence, Government do not seem disposed to remove this unfair burden on the industry.

This tax was levied by the Government of Bombay under Sir George Lloyd for the express object of providing 50,000 one-room tenements for the mill-hands of Bombay to be let to them at a rental not exceeding Rs. 5-8 per month.

The estimated cost of these rooms was Rs. 1,100 each, but only 16,000 odd rooms at a cost of Rs. 2,100 each have been erected and Government now demand rents of Rs. 6-8—Rs. 10 per room. Government failed to carry out their undertaking and are unable to let the tenements at these rates and their miscalculations have put this heavy additional tax on the industry.

It may be argued that this tax has also to be borne by India's foreign competitors, since all cotton exported from the port of Bombay has to pay the tax, but it should at the same time be noted that the tax can be and is avoided by them by exporting cotton from Karachi and other ports.

In addition to the abovementioned municipal taxes it must also be remembered that the industry contributes directly and indirectly a large proportion of the terminal taxes levied on goods entering Bombay and certain proposals have recently been made for considerably augmenting the revenue thus derived which, if approved, would place a still heavier burden on the industry. It is hoped that the Government of India will not sanction this proposal.

112. *Freights.*—The scarcity of freight space and the high rates demanded have been obstacles in the growth and the development of the export trade of the industry. In 1885, the Association, by combined action, succeeded in obtaining a reduction in freight on piece-goods and yarn to China with very marked effects on this export trade, but from the nineties, with the advent of the Japanese on the scene of action, with their subsidised lines of steamers, the position of the Indian mill industry again became difficult. The differential treatment meted out by the Conference lines as regards freight rates on cotton from Bombay to Japan and yarn and piece-goods to China had occasioned much adverse comment, and the whole position was well set out by Mr. (now Sir) N. N. Wadia in a speech made by him at the Annual General Meeting of the Association held in March 1911:—

"Allusions have been made in the report about the decline of your yarn export trade to China markets. I hope your Committee during the year will take an interest in this question and enquire into all the reasons of this decline. Our Chairman has to-day in his speech mentioned one or two special reasons for this decline, but another point to be considered in this matter is the question of freight charges on raw cotton taken from Bombay to Japan as compared to freight for yarn charged to Hongkong and Shanghai by the Conference Liners. I understand during the last month freight to Japan for raw cotton has been further reduced by them, standing at present at 8·3 rupees net for a ton of 40 cubic feet. Taking 100 bales of cotton measuring on an average 23 tons 40 cubic feet, this freight works out to Rs. 2-5-0 per bale of cotton to Japan or Rs. 4-10 per candy. Now taking a candy of cotton to produce 677 lbs. of yarn this freight works out to Rs. 2-11-9 per bale of yarn of 400 lbs. In working this out, I have assumed that the spinning charges in Bombay and Japan are the same; and therefore the extra the Japanese mills have to pay is freight only on cotton. Adding to this Rs. 2-11-9, say, about one rupee per bale for carriage of cotton to the mills from the ship and back from the mill to the ship, and adding also the freight of yarn from Japan to Shanghai which equals to Rs. 1-8 per bale, and deducting a rebate equal to Rs. 2-4 per bale given by the Japanese to their shippers of yarn to foreign countries under 20s counts, this freight would work out to Rs. 2-15-9 per bale of yarn made of cotton taken from Bombay to Japan, spun into yarn and shipped back to Shanghai.

Against this the Bombay shippers have to pay freight for yarn to Hongkong at Rs. 12 and Shanghai Rs. 15 per ton of 40 cubic feet less Rs. 3 rebate. Taking this rate and 100 bales of yarn to measure 36 tons the net freight for yarn per bale to Shanghai works out to Rs. 2-15-9 and Rs. 3-3-10 to Hongkong against Rs. 2-15-0 for Japanese yarn in the Shanghai market. Bombay mills are at a disadvantage of Rs. 1-6-0 per bale or nearly $\frac{1}{16}$ anna per pound, and this specially when we consider that Conference Liners take our yarn a shorter distance and a cargo of yarn pays them better than a cargo of cotton due to better stowage, if the ship carries a full cargo of yarn only. This is curious anomaly, as you will see from this comparison. On the other hand the Liners complain that carrying yarn freight does not pay them, because the yarn shipments are so irregular, while they, under the agreement, are bound to provide a number of vessels per month, whether they get the full cargo or not.

Gentlemen, if this is so, they have themselves to blame for it, because the direct encouragement which they have given to Japanese spinners by the extremely cheap rate of freight in cotton in the past years has enabled the Japanese to work up a trade in Shanghai in their yarns by this advantage in freight, as I have shown above, especially as their own yarns in their own market in Japan being protected by Tariff rates, they are enabled to dump down the surplus production of yarn to Shanghai at a cheaper rate, thus reducing the cost of the production of yarn for their own markets."

The position as described continues to this day.

113. These difficulties as regards freight space continued to hamper the development of the export trade in Indian mill-made goods, and thereby indirectly helped Japan whose subsidised steamers took cotton from India and brought yarn and piece-goods to India at very low rates. During the war these difficulties made themselves felt with special force, and in June 1917 the following cable was despatched by the Association to His Majesty's Secretary of State for India, but no steps were taken to save India's trade with China from being ruined by Japan:—

"Committee Bombay Millowners' Association desire to call attention to very serious position that has arisen through shortage of freight space of Indian yarn to China. Until recently two sailings of P. &. O. and two of Japanese line monthly have been available, but Japanese steamers now taking cotton exclusively for their own use besides occupying space in P. & O. steamers. Moreover the P. & O. state owing Government requirements they are unable to despatch more than one steamer monthly and even this doubtful. As consequence stocks yarn accumulating in India and if immediate steps be not taken to afford relief, mills in India must close down involving loss of

employment to many thousands mill-hands. Further, Japanese have excellent opportunity of killing Indian yarn trade in China which has been built up through good and bad times by British merchants and this trade once lost can never be regained. Respectfully suggest P. & O. be instructed to take Indian yarn to China to exclusion of cotton for Japan which might reasonably be compelled to be shipped in Japanese bottoms. Considered essential if British Empire trade interests are to be protected that at least two British steamers should be made available monthly for Indian yarn for China markets. Respectfully submit this matter is of greatest urgency and importance and deserves full weight of your influence."

The reply received was very unsatisfactory and was to the effect that there was no objection on the part of the shipping controller to preference being given to shipments of Indian yarns to China by the vessels of the P. & O. Company, but that in view of the seriousness of the tonnage situation, the shipping controller was not hopeful of being able to provide additional freight for these shipments.

Had greater facilities been available in the matter of freight during the war, the export trade might have been maintained. Japanese millowners, however, took full advantage of the shipping facilities granted to them and pushed their goods in different foreign markets.

114. There can be no doubt that difficulties in obtaining freight space and the high rates of freight constitute a serious stumbling-block in the development of export trade in Indian yarn and piece-goods. It is also well known that one of the greatest helps the Japanese get is in the way of cheap freight, which enables them to get a foothold in foreign markets where without similar facilities it is difficult for Indian mills to export their goods. It is unfortunate that this Association has not been able to obtain the exact net freight rates from Osaka to different foreign markets, so that it might be possible to compare these rates with the freight rates from Bombay. It is also well known that rebates, etc., are given to Japanese in a variety of ways, and even if the freight rates from Osaka to different centres were known, it would be difficult to make out the exact rebates which the Japanese get either directly or indirectly.

In Table 28 we give the freight rates on cotton yarn and piece-goods from Bombay to different countries. An indication of the advantage enjoyed by the Japanese is afforded by the freight rates for cotton from Bombay to Osaka as compared with the general level of freight rates to other foreign markets. It is obvious from these figures that no industry which has to pay such abnormal freight charges for exporting its goods to foreign markets can hope to build up a healthy export trade such as India with its favourable geographical position might legitimately hope for. It is doubtful if any industry of the magnitude and importance of the cotton mill industry of India is handicapped in the same short-sighted manner as the Indian industry has been all these years. It is the considered opinion of the Association that a substantial reduction is called for in the freight rates if the export trade in Indian yarn and piece-goods is to be developed so as to bring prosperity to the industry as well as to the whole country.

It should be also stated that the railway freight has gone up since the war and the following table will indicate the extent of this increase since 1914 :—

Articles.	Station	Route	Conditions.	Rate per Maund for 1926
	From	To		Rs. a. p.
Cotton, full-pressed ..	Ahmedabad ..	Bombay (Carnac Bridge).	R. R.	1 1 1
Piece-goods, cotton or woollen, in bales, press-packed, etc.	Bombay (Carnac Bridge).	Delhi Sadar ..	O. R.	2 9 3
		Cawnpore ..	O. R.	2 5 2
		Amritsar, *via* Kolkapura.	O. R.	2 9 4 B. B.
				0 5 6 N.W.R.
				2 14 10 Total.
	Ahmedabad ..	Bombay ..	O. R.	1 1 1 *for* 1914.
Cotton, full-pressed ..	Ahmedabad ..	Bombay ..	O. R.	0 9 3
		Delhi Sadar ..	R. R.	1 15 7
Piece-goods, cotton or woollen; in bales, press-packed, etc.	Bombay ..	Cawnpore ..	R. R.	1 14 1
		Amritsar, *via* Kolkapura.	R. R.	2 1 11 B.B.
				0 4 6 N.W.R.
				2 6 5 Total.
	Ahmedabad ..	Bombay ..	R. R.	0 11 1

Japanese Penetration in Indian Export Markets

115. We will here give one or two illustrations to show how Japan with all the facilities she enjoys, is able to make very satisfactory headway with her export trade in yarn and piece-goods with different countries while India is losing ground.

We will first take Persia. The following are the figures of imports into Persia of cotton yarn from India and from Japan during the Persian years ending 21st March 1924 and 21st March 1925, from which it will be noticed that India lost ground to Japan who only entered this market recently :—

	Year ending 21-3-1924		Year ending 21-3-1925	
	Weight in	Value in Krans	Weight in Batmans	Value in Krans
India	403,674	96,79,130	345,531	87,49,669
Japan	67,930	19,11,145	140,578	40,86,115

The imports of yarn from Japan were double the imports of the previous year, while Indian imports fell by more than 58,000 Batmans, equivalent to nearly 600,000 lbs.

116. Again, a study of the sea-borne trade of the Commonwealth of Australia reveals the paucity of the trade in yarn and piece-goods between India and Australia, but it is noteworthy that Japan has managed to obtain a fairly large trade in grey goods, cotton tweeds and dyed goods as will be seen from the following table :—

Article and country of origin	1922-23	1923-24
	Value in £	Value in £
Grey, unbleached		
India	331	6
Japan	151,055	151,372
White, bleached		
India	36	124
Japan	36,264	30,123
Dungaree, denims, moleskins and corduroys		
India	95	....
Japan	323	1,632
Cotton tweeds		
India	....	....
Japan	74,862	6,193
Dyed or printed		
India	2,381	1,010
Japan	328,623	206,982
Cotton, Mercised (Yarn)		
India	215	....
Japan	....	....
Cotton (Yarns)		
India	1,532	1,606
Japan	1,488	9

117. A more striking illustration is afforded by Kenya to which market Japan exports the largest quantity of unbleached goods. The following figures indicate the value of goods imported into Kenya from different countries in 1922, 1923, 1924 and 1925 :—

Description and country of shipment.	1922		1923		1924		1925	
	Value in £.	Percentage of class	Value in £.	Percentage of class	Value in £.	Percentage of class	Value in £.	Percentage. of class
Unbleached								
Great Britain ..	14,440	4	3,583	1	2,275	1	6,189	2
India and Burma	89,418	23	117,356	24	94,121	20	91,434	22
Arabia ..	518	..	..	..	..	..	..	..
Austria ..	..	..	..	..	465	..	124	..
China ..	..	..	..	..	1,720	..	1,141	..
Germany ..	506	..	..	..	479	..	331	..
Holland ..	1,717	..	11	..	246	..	..	..
Italy ..	1,418	..	1,596	..	1,956	..	..	..
Japan ..	192,018	49	269,308	56	298,544	64	225,215	55
Switzerland ..	1,737	..	..	..	..	..	..	..
U. S. A. ..	75,821	20	90,945	10	68,110	15	85,266	21

India is situated in a much more favourable geographical position and has direct steamer connection with Mombassa, and yet it will be noticed that Japan has a much larger share of the trade with Kenya, owing to the accumulated advantagess he possesses to which must be added the further advantage due to the change over in the basis of the currency in Kenya.

118. British Malaya affords another striking illustration of how Japan is stealing a march over India in foreign markets. From the statistics of 1924, it appears that in plain goods the proportion of Indian imports was less than 2 per cent. and in dyed goods less than 1 per cent. Japan, who only entered the market recently has four times as much trade in plain, and more than 25 times as much in dyed goods as India.

119. Altogether Japan exported cotton cloth in 1925 to the quantity of 905,339,053 yards and the value of Yen 274,113,039, an increase of 160,000,000 yards and Yen 56,000,000 respectively over the previous year. The following tables showing the value of cotton goods exported from Japan to different countries in 1922, 1923 and 1924, bear ample evidence to the tremendous strides Japan is making in her export trade :—

Article	Exports		
	1924	1923	1922
British India	Yen	Yen	Yen
Yarn	35,954,637	20,511,884	20,666,783
Cotton fabric	47,114,486	36,551,083	33,567,336
Hosiery	5,730,404	5,069,294	3,849,379
Straits Settlements			
Cotton fabrics	7,069,098	6,048,085	5,892,104
Cotton blankets	459,907	420,755	....
Hosiery	490,877	577,685	410,096

Article	Exports		
	1924	1923	1922
Dutch Indies			
Yarn	2,533,052	1,364,454	....
Cotton fabrics	37,153,420	22,534,604	24,938,051
Cotton blankets	139,457	84,072	....
Hosiery	1,233,130	1,081,254	897,002
Philippine Island			
Yarn	669,935	771,632	910,275
Cotton fabrics	7,190,080	5,398,858	3,452,640
Cotton blankets	250,825	95,539	....
Hosiery	4,454,527	2,701,090	2,801,365
Siam			
Cotton fabrics	1,574,976	1,432,448	12,362,544
Cotton blankets	418,757	375,843	....

ALLEGED OVER-PRODUCTION

120. One of the arguments brought forward to explain the present depressed state of the industry is that there has been over-production of piece-goods by Indian mills. We give below the figures of production from 1907-08, from which it will be noticed that the increase in production has been quite normal and gradual :—

Year		Year		Year	
1907-08	.. 808·2	1913-14	.. 1,164·2	1919-20	.. 1,640·0
1908-09	.. 824·2	1914-15	.. 1,135·7	1920-21	.. 1,580·7
1909-10	.. 963·8	1915-16	.. 1,441·4	1921-22	.. 1,731·7
1910-11	.. 1,042·6	1916-17	.. 1,578·0	1922-23	.. 1,725·1
1911-12	.. 1,136·0	1917-18	.. 1,614·1	1923-24	.. 1,701·3
1912-13	.. 1,220·3	1918-19	.. 1,450·7	1924-25	.. 1,970·3

(Quantity shown in millions of yards)

The production appears to have taken a big jump in 1924-25, as compared with the figure for 1923-24, but it must be remembered that in 1923-24, there were general strikes in Bombay and Ahmedabad and therefore a serious curtailment in production.

The position with regard to the increase in the production of Indian mills can be easily explained.

In the first place the expansion has been small compared to the growing needs of a vast and steadily growing increasing population.

In the next place the expansion may be regarded as less than might be reasonably expected when the fact is taken into consideration, that India supplies only half of the local requirements of her population and has a considerable leeway to make up.

Thirdly, India has every right to try and meet the full requirements of her own home market and it is a natural aspiration for her to try and develop her industry until that position is attained.

Fourthly, the expansion of the weaving side of the industry was necessitated in the first instance through loss of the China market which compelled India to instal more and more looms in order to make up for the loss.

The conclusion to be drawn from these facts is that if India were protected in her home markets against unfair competition and placed on terms of equality with competing countries in foreign markets there would be no talk of over-production. The situation with which the industry is faced to-day would not have arisen, and India would be able to occupy a position which her vast home market and her favourable geographical position would entitle her to expect.

121. If we put out of consideration the production from hand-looms then the imports of piece-goods *plus* the quantity of Indian piece-goods less the total exports of piece-goods will represent the quantity actually placed on the Indian markets, and the following figures indicate that the contention that there has been a production in excess of the demands of the Indian Market is fallacious :—

	Yards		Yards		Yards
1907-08	.. 3,202·5	1913-14	.. 4,173·3	1919-20	.. 2,418·7
1908-09	.. 2,689·5	1914-15	.. 3,452·6	1920-21	.. 2,864·8
1909-10	.. 3,010·8	1915-16	.. 3,405·3	1921-22	.. 2,597·1
1910-11	.. 3,183·1	1916-17	.. 3,128·8	1922-23	.. 3,071·0
1911-12	.. 3,417·0	1917-18	.. 2,863·1	1923-24	.. 2,942·1
1912-13	.. 4,053·0	1918-19	.. 2,285·2	1924-25	.. 3,535·3

(In millions of yards.)

122. Notwithstanding the fact that there is plenty of room for expansion of the indigenous industry, looking to the requirements of the country, it cannot be denied that one of the means of helping the industry is the development of export markets for yarn and piece-goods, to balance in equalities of demand. It is the considered opinion of the Association that the Government of India should, like the Government of Japan, inaugurate a policy of helping the industry in every possible way to develop trade with those parts of the globe where cotton is not grown and where there is no cotton textile industry. The Japanese mill-owners are said to be given special banking and freight facilities and moreover the Japanese Government send special investigators to different parts of the world to ascertain the exact requirements of and the possibility of developing trade with these parts. The Government of India will be doing inestimable service to the cotton mill industry of the country if they will copy the example of Japan in this respect and take every possible measure to encourage the trade in Indian yarn and piece-goods with other countries.

123. There is still a demand for yarn in China, but the difficulties as regards freight and exchange coupled with the unfair competition from Japan make it well nigh impossible for the Indian mill industry to re-obtain a footing there. If adequate assistance from Government were forthcoming to remove these handicaps, a great step forward would have been taken in restoring the industry to a healthy state.

Summary of Association's conclusions

124. In the foregoing pages, we have tried to explain the genesis and history of the cotton mill industry, how it has arisen from small beginnings in 1854 to its present pre-eminent position as the most important industry in India. We have also endeavoured to trace the various vicissitudes through which the industry has passed and the various difficulties it has had to encounter in its existence of nearly 70 years in order to give a clear idea to the members of your Board as to the factors which have led up to the present difficulties of the industry. We have also shown that the position of the cotton textile industry in India, especially in Bombay, is not a happy one. We have examined the causes of the depression and set them out at some length in the foregoing pages. We now summarise these causes.

1st.—The prosperity of the Bombay mill industry has been seriously affected ever since the Government of India changed the silver basis of the currency by closing the mints in 1893 and tried to work on a gold parity. The closing of the mints in 1893 must be taken as the first legislative measure which really seriously affected the industry; it directly affected our export trade in yarn to China and encouraged the Japanese to start their own mills in Japan and later on in China itself. Up to that year, as we have previously stated, the Indian mills were chiefly engaged in spinning yarns for the China market and the loss of the export market to China necessitated the installation of more looms from time to time because the export trade in yarns to China became unprofitable. This first currency legislation was the precursor of further currency management by the Government of India in 1919 when the 2 ratio was adopted and efforts were made to retain the sterling value of the rupee at that figure. In spite of all Government's efforts in this regard the sterling value of the rupee fell rapidly until it reached 1/0 1/4 gold but during the last two years Government have succeeded in raising it to 1/6 gold. Until four years ago, Japan also having a gold basis, had an exchange parity of 2*s.* 05-8*d.* per yen which was equivalent to Rs. 153 per 100 yens at 1/4 exchange. After the earthquake of 1922 the Japanese exchange fell from 2*s.* 05-8*d.* to 1*s.* 73-16*d.* This reduced the yen exchange in terms of rupees to as low as Rs. 108 per 100 yen and during the last three years the principal advantage Japan obtained was through this drop in the Rupee-Yen exchange which enabled her to jump down large quantities of piece-goods and yarn

in the Indian markets in competition with the Indian mills. We have shown by tables how the yen exchange at any given price of Broach enables the Japanese, even when working single shift, to compete up to the point of 145 Rupees per 100 Yen irrespective of all other advantages. Therefore we submit that one of the main causes of our present difficulties can be put down to the depreciated exchanges of foreign countries especially Japan. Italy also owing to her depreciated exchange is at present in position, to put increased quantities of piece-goods on the Indian market, and in Egypt, the Levant and other markets.

2nd.—The second difficulty we have to point out is that the competition the Indian mills are suffering from is not fair owing to the Japanese mills being allowed to work two shifts for 20 hours a day and to employ women and children at night. The Government of India on the other hand have practically restricted the mills to 60 hours working a week by prohibiting the employment of women and children at night, for as there is difficulty of obtaining labour here, it is practically impossible to work double shift in Bombay.

3rd.—We have also shown that the wages in the Bombay mills have increased to a greater extent than the cost of living and are in some instances 2½ times the pre-war figure. Labour charges in the Bombay mills constitute the largest item in the cost of manufacture, and if this charge be not reduced in conformity with the fall in cost of living then the millowners are at a loss to know how to reduce their manufacturing costs further having made all other reductions possible.

4th.—We have also shown that the development of the industry is being retarted by excessive taxation. Income-tax which used to be levied at 6 pies in the rupee is now charged to companies and individuals over a certain income at the rate of over 1¼ annas in the rupee. There was no super-tax in the pre-war days, but in 1919 this tax was levied on a sliding scale on individuals and at a flat rate of one anna on companies. There was also no cotton cess until 1923. Import duties on machinery and stores of cotton weaving mills were not levied until 1918, but in that year the Government of India owing to the serious deficit levied duties which have since risen to 2½ per cent. on machinery and 15 per cent. on all stores, like sizing ingredients and other accessories.

Up to December last, excise duty was levied on the industry and this brought to the Government of India an annual revenue of something like 2 crores of rupees. The industry has to make further contributions to Provincial revenues in the shape of increased stamp duties and pays a tax of one rupee per bale as town duty on all cotton brought into Bombay. Municipal taxation has been trebled owing to mill assessments having been increased by 87½ per cent. since 1912, the rate of general tax having been increased from 97/8 per cent. to 11½ per cent., halalkhore tax at 3¾ per cent. being levied on the higher assessment, and an enhancement of the charges for water from 8 annas to 16 annas per 1,000 gallons. Although all these items of taxation paid to the different bodies may appear to be small the sum total constitutes an appreciable figure in the cost of manufacture of yarn and cloth.

125. These, in the opinion of our Association, are the main causes which have led to the present depression in the Bombay industry. In the opinion of our Association they are of a permanent character because as long as the Government of India maintain exchange at 1*s.* 6*d.*, and foreign countries employ women labour at night and work double shifts of 20 hours a day, and the existing labour charges in India cannot be reduced, and taxation is not reduced, the industry is bound to be affected permanently.

126. We have shown to what extent the present depression is due to the competition of foreign countries especially Japan in the Indian market and in the export market which the Indian mills used to enjoy.

127. We have also endeavoured in the previous pages to show that the industry is of paramount importance to India. The industry has made very large contributions to the revenues of the country in prosperous years and it employs a very large number of people at a rate of wages higher than what is generally prevalent in any other industry in India. The Association therefore maintains that the industry should be protected by Government in some way.

128. The question, therefore, your Board will have to consider is what form and to what extent protection should be given to overcome the four main handicaps from which the Indian cotton textile industry is suffering. To overcome the first handicap, *i.e.*, the difficulties brought about by the currency policy, we suggest as in certain other civilized countries where competition exists from foreign countries owing to depreciated exchange that a proportionate increased duty be levied on goods from that country equal to the depreciation of exchange of that country. On this basis when the Japanese exchange fell in India from 153 to 108, if our industry had been protected in

proportion by the imposition of a 15 per cent. extra import duty, the present position would not have arisen. At present the exchange is 129 instead of 153, the normal exchange before the war, and therefore, the protection which ought to be given to the industry at the present time should be something like 8 per cent. if we reckon the cost of cotton as 50 per cent. of the cost of manufacture.

129. *Protection against countries where cotton mills work double shifts with female and child labour.*—It is very difficult to ascertain the exact advantage the Japanese mills obtain by the employment of women and children at night, which makes double shift working possible. It has been stated by competent authorities that the advantage is something in the neighbourhood of 5 per cent. owing to reduction in interest charges, supervision charges and general working expenses without taking into account the gain in wages obtained by the employment of females on night work. It can be shown from the table given in paragraph 104 that in an Indian mill supervision charges of 3·4 pies, fire insurance charges of 1·67 pies, Municipal Taxes of 1·57 pies, and half the interest charges amounting to 2·83 pies can be saved by double shift working or in all 9·47 pies per pound in a total cost of 97·67 pies per pound, *i.e.*, 10 per cent. approximately or 5 per cent. in the whole cost of cloth with cotton at its present price.

130. The Imperial and Provincial Governments as well as the Municipal authorities should in the opinion of the Association make every possible effort to reduce taxation to the lowest possible limit by cutting down their expenditure. As a first step the duties on machinery and mill stores should be abolished. These duties are inconsistent with the dictum of the Fiscal Commission that raw materials should ordinarily be admitted free of duty as this was an obvious principle of general acceptance in protectionist countries. The company super-tax which has been a hindrance to the development of the industry and is a conspicuous form of double taxation should also be abolished. The town duty of Rupee 1 per bale should also go. The Government of Bombay have not carried out the undertaking given by them that they would build 50,000 rooms for the mill-hands of Bombay and let them at Rs. 5-8-0 per room. The extravagance of the Bombay Development Department in this matter is under investigation, and we do not therefore wish to make any further remarks here save to state that the tax is hampering the industry and also making the port of Bombay a very dear port in comparison with other ports (see memorial from the Bombay Chamber of Commerce to the Government in this respect). The Government of India in the opinion of the Association might further assist the industry to return to prosperity,

(*a*) by reducing railway freights on Indian mill-made goods to Calcutta, Delhi, Cawnpore, Lahore, Amritsar and other piece-goods and yarn markets,

(*b*) by negotiating with the steamship companies with a view to reducing the shipping freights from Bombay to Madras, Calcutta, Singapore, Basra, Zanzibar, Mombasa, Port Said and the Levant and all other export markets. At present, the Association is at the mercy of the shipping lines, and they will not consider any representation by us in this behalf. The Government of India might well follow the example of Japan in this respect and subsidise their shipping lines to enable them to quote cheap rates to the merchants with a view to increasing the export trade,

(*c*) by appointing Trade Commissioners, like Japan, in various countries to assist the industry in the export trade,

(*d*) and lastly by adopting a scientific tariff so that the goods which Indian mills can manufacture and supply to India shall not be open to unfair competition from foreign competitors.

131. As we have shown the industry is handicapped to the extent of 8 per cent. on account of exchange and an additional 5 per cent. on account of double shift working made possible by the employment of female labour at night in regard to our most serious competitor. The industry thus requires in order to place it in an equal position with foreign countries in respect of the cost of manufacture additional protection equivalent to 13 per cent. and further additional protection to enable mills to make the necessary allowances for depreciation to plant and machinery. It may be argued that the raising of the import duties might raise the price to the buyers. The answer to that argument is that there are no less than 337 mills in India to compete against each other and to establish equitable prices. The buyers were satisfied before foreign competition of a cut throat character stimulated by depreciated exchange came in, and the disappearance or the reduction in the intensity of this competition by an enhancement of the import duties will not overturn the economic laws of supply and demand. This is conclusively proved by the past history of our taxation. The raising of the import duties to 11 per cent. did not raise the price of cloth nor did it in fact check its consumption.

132. It is the considered opinion of the Association that if the sterling exchange were brought down to 1*s*. 4*d*. Gold and Japanese Mills were made to work one shift not employing women and children at night, then the industry could stand on its own legs and would not require protection. It is a curious phenomenon that all the important industries of this country, *viz*., Sugar, Cement, Iron and Steel and Leather suffer much from the exchange policy of the Government of India and have asked for protection. In the opinion of the Association while the Government of India might be able to save Three Crores of Rupees by keeping the exchange at 1*s*. 6*d*. they are losing far more by having the industries of the country in a crippled state and not being able to pay income-tax and super-tax, and as long as artificial management of exchange is continued by the Government of India, the industries of the country will have to be protected to get over their difficulties.

133. In conclusion we most emphatically state that our industry has been treated as a Cinderella. The slogan of the Government of India during the industry's seventy years' existence has been "when in want of money tax the cotton industry." Acts and measures have been passed and changes in exchange policy have been made without the slightest reference or slenderest regard to their bearing on its well being till to-day the industry stands in danger of immediate collapse unless needful and speedy succour is rendered. The future of the cotton industry rests on the findings of your Board and a speedy execution of them by the Government of India. The Association trust that now the hour for action has struck neither will fail them.

I have the honour to be,

Sir,

Your most obedient servant,

T. MALONEY,

Secretary.

APPENDIX I

JAPANESE FACTORY ACT

(Law No. 46 of 28th March 1911, amended March 1923)

Art. I. This law shall apply to factories coming under one of the following heads :—

(*a*) At present employing ten or more operatives.

(*b*) When the nature of the industry is a dangerous one, or where there is a fear of it being injurious to health. Factories in which the application of this law is unnecessary may be exempted by Imperial Ordinance.

Art. II. (Deleted and replaced by the Industrial Workers' Minimum Age Law.)

Art. III. Factory owners shall not be permitted to employ in their workshops for more than eleven hours a day lads under sixteen years of age or females.

The competent Minister may, during a period of fifteen years from the enforcement of this law, prolong the working hours mentioned in the preceding paragraph according to the kind of work, but this extension must not exceed two hours.

Where the factories are operate the total working hours shall be calculated by applying the provisions of the two preceding clauses.

Art. IV. Factory owners shall not be permitted to employ between the hours of 10 p.m. and 5 a.m. youths under sixteen years of age or females. When, however, the sanction of the Government authorities has been obtained operatives may be employed to 11 p.m.

Arts. V & VI.—Deleted.

Art. VII. Factory owners shall grant at least two holidays each month to youths under sixteen and females and shall grant during working hours a recess of at least 30 minutes when the hours of work exceed six, and of at least one hour when the hours of work exceed ten.

The recess specified above shall be granted in general except, however, in cases where official sanction has been obtained.

When owners grant a recess exceeding one hour in the summer they may after obtaining official sanction extend the working hours by not more than the excess of the recess. Such extension, however, shall not exceed one hour.

Art. VIII. In cases of necessity owing to the occurrence of some natural calamity, or accident, or owing to the fear of some accident, the competent Minister may suspend the application of the provisions of Arts. III & IV and the preceding article with limitations as to the nature and district of the industry.

In cases of urgent necessity due to unavoidable circumstances the factory owners may, with the permission of the administrative authorities for a limited period, extend the working hours regardless of the provisions of Art. III, or employ females over 16 regardless of the provisions of Art. IV, or stop the holidays mentioned in the preceding article.

In cases of urgent necessity, factory owners may extend the working hours within a limit not exceeding two hours for a period not exceeding seven days per month, notifying the administrative authorities beforehand in each case.

In industries where the press of business depends upon the season, factory owners may, during a fixed period, having previously received the sanction of the administrative authorities, extend the working hours within a limit not exceeding one hour, provided that during this period the proportion of 120 days per annum is not exceeded ; in these cases, during the period for which sanction has been received, the provisions of the preceding paragraph do not apply. However, in case where it is necessary to prevent the loss of raw materials of substance which might perish or deteriorate quickly, official sanction shall not be necessary within the limits of four consecutive days and seven days in all in one month.

Art. IX. Factory owners may not employ youths under sixteen years of age or females upon the work of cleaning, oiling, inspecting or repairing machinery in motion, or the dangerous sections of arrangements for the transmission of motive power or of fixing or removing straps of belts from machinery in motion or arrangements for the transmission of motive power ; or other dangerous work.

Art. X. Factory owners may not employ youths under sixteen years of age upon the work of handling poisons, dangerous chemicals, substances of an explosive, combustible or inflammable nature; or upon work in places where dust and powder are specially raised, or where injurious gases are given off, or in other places which are dangerous or injurious to health.

Art XI. The competent Minister shall decide the sphere or work mentioned in the two preceding articles.

The provisions of the preceding article may, by the decision of the competent minister, be applied to females over sixteen years of age.

Art. XII. The competent Minister may make regulations restricting or prohibiting the employment of sick operatives or women before or after child-birth or women who are nursing their children.

Art. XIII. In accordance with what is prescribed by ordinance the administrative authorities may, in cases where they consider that a factory or its premises or equipment are dangerous, or that there is a fear of their being harmful to health, morals, or the public welfare in any other way, order the factory owner to take necessary precautionary or remedial measures, and, where they consider it necessary, may suspend the use of the whole or a part of such factory.

In connection with the orders issued to the factory owners in accordance with the above paragraph, the officials may issue the necessary orders to the operatives and apprentices.

Art. XIV. The competent officials may pay visits of inspection to the factory or accessory buildings or may examine workmen or apprentices suspected of suffering from diseases necessitating suspension from labour or apprehended of being contagious. In such cases they shall carry a certificate attesting their official qualification for such duty.

Art. XV. When an operative shall have been injured in the performance of his duty, falls ill or dies, the owners shall in accordance with provisions determined by Imperial Ordinance afford assistance to the operative himself or his bereaved family or persons who were maintained out of his income at the time of his death.

Art. XVI. Operatives or apprentices, or persons intending to become operatives or apprentices, or factory owners or their legal representatives, or factory superintendents, may, with regard to the registration of operatives or apprentices, or persons intending to become operative or apprentices, apply to the person having charge of registration duties or his representative for certificates free of charge.

Art. XVII. The control of the engagement, discharge and recommendation of operatives and matters relating to apprentices, shall be determined by Imperial Ordinance.

Art. XVIII. Factory owners may appoint factory superintendents having competence as regards their factories.

When a factory owner does not reside within the district for which this law is in force he must appoint a factory superintendent.

The approval of the administrative authorities must be obtained to the appointment of factory superintendents. This clause does not, however, apply to cases where the superintendent is selected from among the directors of a juridical person, members of a company who are carrying on the company's business, members who represent the company, managing directors, members of the company who are in charge of the business, and others who, by the provisions of laws and ordinances, represent or are managers for juridical persons.

Art. XIX. The factory superintendents mentioned in the preceding article shall take the place of factory owners in applying this law or any order issued on the basis of this law. Article XV, however, does not fall under this heading.

In case the factory owners are minors not possessing the same legal capacity in regard to business as adults, or persons precluded from holding property, or when in the case of a juridical person, there is no factory superintendent the preceding clause shall equally apply to the legal representatives or directors of a juridical person, members of a company carrying on the business, members of a company representing the company, managing directors, members of a company who are in charge of the business and others, who, by the provisions of law and ordinances, represent juridical persons.

Art. XX. If the owners or the person representing them in accordance with the preceding article, infringes this law or orders based upon this law or dispositions made in accordance therewith, he shall be punished by a fine not exceeding 1,000 yen.

Art. XXI. Any person who without just cause refuses to allow, obstructs or evades the competent officials' inspection or who does not answer their questions or gives false answers or who obstructs the examinations of the workmen or apprentices shall be punished by a fine not exceeding 500 yen.

Art. XXII. A factory owner or a person taking the place of a factory owner under Article XIX, shall not be exonerated from punishment for any breach of this law, or orders issued on the basis of this law or any disposition made in accordance therewith by his representative the head of his family, a member of his family, a person living in the same house, an employee, or any other person engaged in the business, on the ground that such breach was committed without his instructions. But, as regards a factory superintendent, where he has exercised proper care, this clause does not apply.

A factory owner, or a person taking the place of a factory owner under Article XIX, shall not be exempt from the punishment of this law on the ground that he was not aware of the age of the operatives. However, cases where no fault is attributable to the factory owner under Article XIX, or the manager, do not fall under this heading.

Art XXIII. Persons who are dissatisfied with the procedure of the administrative authorities under this law may lodge an appeal when their rights have been unlawfully injured they may lodge a civil appeal against the authorities.

Art. XXIV. The competent Minister may apply the provisions of Articles IX, XI, XIII, XIV, XVI and XVIII to XXIII to factories which do not fall under Article I, but which employ motive power.

Art. XXV. This law, and orders issued on the basis thereof, shall, with the exception of the provisions and penal clauses relating to factory superintendents, apply to Government and public factories.

As regards Government factories, the authorities having jurisdiction shall perform the duties of the administrative authorities under this law or orders issued on the basis thereof.

SUPPLEMENTARY

The date of the enforcement of this law shall be determined by Imperial Ordinance. For three years after the enforcement of this law, the words " sixteen years " in the law shall be read as " fifteen years ".

In cases where workmen are employed in two or more shifts the provisions of Article IV shall not apply for the three years following the enforcement of the law.

In cases where youths of less than fifteen and females are employed in accordance with the preceding paragraph, at least four holidays a month shall be granted and the working hours shall be changed after every period of not more than ten days.

APPENDIX 2

Labour conditions in Japan—imperative need for reform

"One of the main grievances of the cotton mill industry of India is that, although Japan accepted the Convention adopted by the International Labour Conference at Washington in 1919 regarding hours of work, she has failed to ratify it, and Japanese mills are to-day working twenty-two hours a day in two shifts, and women and children are employed at night on very low wages. This enables Japanese mills to keep their manufacturing costs at a comparatively low level, and in view of this, and other circumstances such as depreciated exchange, etc., Japanese competition has come to be looked upon as grossly unfair in its nature. It is regrettable that Japan should have lagged so considerably behind other industrially advanced countries so far as her treatment of labour is concerned. But it is not merely that the labour conditions prevailing in Japan give unfair advantage to the cotton mill industry of that country in competing with the manufactures of India—and, it may be added, also of Lancashire; but humanitarian considerations also require that the Governments of all civilized countries and the International Labour Office should bring pressure to bear upon the authorities in Japan to make that country toe the line with other civilized countries so far as treatment of labour is concerned.

Methods or Recruitment

"In the first place, the Japanese millowners and other employers recruit labour in a manner which is devoid of all ethical and moral considerations, as is evidenced by the article on the subject in the October issue of the 'International Labour Gazette' from the pen of Shunzo Yoshisaka, Director of Factory Inspection.

"It is estimated that nearly 300,000 men each year move about throughout the country recruiting work-people for factories, mines, and other public works. The recruiters come from the lowest strata of society, and such are the nafarious ways they pursue in inducing women to join factories, etc., that they are dreaded wherever they go. In order that we may not be accused of exaggeration or misrepresentation we reproduce the words of the Japanese authority named above:—

"'The principal causes of the difficulty in recruiting women workers can be laid at the door both of the recruiting agent and of the factory owner. Excessive hours of work, low wages, night work, congestion, restricted freedom—these conditions of the past no doubt all have a hampering effect on efforts to recruit women. In addition to these (if one may cite the exaggerated reports which are sometimes received) the irresponsible promises of the recruiting agents, given simply to entice the women to work, the disagreeable manner of their persistent attempts to persuade them, their violent and insulting acts, and other injustices have had a decidedly negative influence. Again, the country folk see many sudden changes in their friends and receive bitter disillusionments; they hear of the risks to life and health in factory work; an innocent country girl, who left home full of health and vigour soon returns with wrecked health and haggard face, or news comes of her utter moral ruin and degradation. It is said that in extreme cases 30 per cent. of the newly recruited women workers drop out within a month after they are engaged and that a district is 'worked out' for recruiting purposes within seven years'.....
'It is said that if a man had a daughter, no matter if he lives in the remotest island village he will have five or six recruiting men visiting him every day. They call on him not only at home but in the field if he is working there. Some people have been driven to put notices at their doors with the statement 'NO DAUGHTER FOR FACTORY WORK IN THIS HOUSE,' to keep off the importunate recruiters.....'There is keen competition in securing workers, various methods—sometimes questionable—are adopted to bind the workers, until ethical rules are forgotten.'

"It appears that some time back an Ordinance was introduced nominally with the object of controlling the system of recruitment, but in reality it only legalises this degrading system which undoubtedly constitutes a blot on modern civilisation.

Uncared for Workers

"If we now turn to actual labour conditions as prevailing in Japanese factories, etc., we again find a very disquieting state of things as will be seen from the following extract taken from the Japan Year Book:—

"'An inquiry made by the Department of Agriculture and Commerce in April 1919 into the living and dietary conditions of workmen in 534 spinning, weaving and dyeing factories throughout the country has made an interesting disclosure. The bulk of the

workers are females and are accommodated in the factory boarding houses, where they are chiefly fed with boiled rice in 43 per cent. of the total number of factories. In the other factories the staple food is poorer, the rice supplied being mixed with cheaper barley, millet or sweet potatoes in the proportion of from 20 to 50 per cent. In most cases subsidiary dishes consist of vegetables, meat or fish being supplied on an average only eight times a month. In exceptional cases neither fish nor meat is given throughout the year though only two factories were distinguished in this respect. Boarding is charged in 89 factories is free in 196, while in 228 factories workmen are required to pay a portion.

" ' Workshops have generally come to be better equipped from the hygienic point of view but the condition of dormitories is as bad as before, except in some large factories. Small factories have no special accommodation for lodging and the workers are made to live and sleep in a part of the factory building or in attics destitute of sanitary devices such as ventilation, sunshine, etc. For instance the dormitories covering a small area of 79·463 tsubo (1 tsubo is equal to 6 sq. ft.) are made to accommodate 84·327 men and women, 0·94 tsubo (less than 5½ sq. ft.) per operative. Bed rooms are in defiance of hygienic rules. In most cases only ·5 to 1 tsubo (3 to 6 sq. ft.) are allotted to one person while in some cases two to ten persons are compelled to lie down in a space of 1 tsubo. What is much worse, 357 factories are not provided even with a sick room. When a worker is taken ill, he or she is confined in the ordinary bed rooms and when the case turns out to be serious the patient is sent home or to the hospital under special contract. Only in eight factories are there physicians in attendance.'

" It would be superfluous to make any comments on the above-quoted extract, but it will be generally agreed that notwithstanding her great industrial advancement, Japan has betrayed a most lamentable and callous disregard for the well-being of her factory workers who, it should be remembered, are mostly women.

Adults have no Holiday

" From the report of the Bombay Millowners' Association it appears that the Association was informed by the Government of India that, although Japan had not ratified the Washington Convention regarding hours of work in factories, she had framed an amended Factories Act, but even this Act lays down no restrictions regarding hours of employment except in the case of children. If was moreover laid down in the Act that factories in which the application of the Act was unnecessary might be exempted by Imperial Ordinance. The general tenour of this amended Act may be judged from the clause quoted below as a specimen.

" *Article VII.*—Factory owners shall grant at least two holidays each month to youths under sixteen and females and shall grant during working hours a recess of at least thirty minutes when the hours of work exceed six, and of at least one hour when the hours of work exceed ten.

" The recess specified above be granted in general except, however, in cases where official sanction has been obtained.

" Thus the factories are closed only for two days in the month, but these holidays are meant only for youths under sixteen and females. It would appear that adult males have to work without a single day of rest or a single holiday.

" At the seventh session of the International Labour Conference, Mr. Suzuki, who represented the working classes of Japan, inveighed bitterly against his country's failure to ratify the Washington Convention. He said :—' As regards the Washington Hours' Convention, as a representative of the Workers' Movement of Japan, I must acknowledge with great regret and disappointment the utter failure of the Japanese Government to ratify this Convention. The fault is so self-evident that I will refrain from labouring the point.'

India and Japan Compared

" The London *Times* in a leading article in its issue of the 2nd December 1925, compared the conduct of India and of Japan in respect of the recommendations of the International Labour Conference in the following words :—

" ' If Indian labour conditions still fall short of the ideal, it should in fairness be remembered that the Indian Government has set a fine example to many other nations in carrying out by legislation the recommendations of the International Labour Conference at Washington. In some respects India has indeed outstripped Washington itself. The Japanese Government, on the other hand, if it has accepted the recommendations of that Conference and has passed numerous laws for the improvement of labour conditions,

has by no means made all of them operative. The twenty-two-hour day of two shifts is still maintained in Japanese factories and a large proportion of women are still employed on the night shift. When to this is added a buying and producing organization so efficient (*that the great Osaka mills can purchase raw cotton in India, ship it to Japan, make it up into piece-goods, ship it back to India and compete there*) (italics my own), in spite of the 11 per cent. duty, with Bombay textiles, it is not surprising that Japanese competition in a large range of grades of cotton goods is being increasingly felt even in this country. The situation of the British and Indian textile industry certainly seems to call for some form of co-operation against this competion.'

THE INTERNATIONAL SWEATER

"It is to be hoped that the International Labour Office will take some effective steps to force Japan to carry out her international obligations so that on the one hand the legitimate grievance of this country, which has faithfully carried out the Washington Convention, may be removed, and on the other hand a state of things which flagrantly violates principles of humanity and social well-being may be brought to an end.

"In the debate in the House of Commons on the 9th July, 1925, Mr. Johnstone after referring to the sweated labour conditions prevailing in Japan, very justly said :—

"'I think we will have to take steps internationally to deal with these conditions, whether they are in Japan, India, London, or anywhere else; we will require to insist upon certain minimum standards of civilization, or we will require to boycott the products of this sweated labour from the civilized markets of the world. If we will stop the transport of sweated goods inside this country, if we will attempt to deal with the home, sweater, we must also deal internationally, through the League of Nations, through the International Labour Office, or anywhere else you like, with the international sweater.'"

APPENDIX 3

No. 226/28 of 1926

THE MILLOWNERS' ASSOCIATION
Bombay, 12th February 1926.

THE HONORARY SECRETARY,
THE JAPANESE COTTON SHIPPERS' ASSOCIATION,
BOMBAY.

DEAR SIR,

I am directed to acknowledge the receipt of your letter dated the 28th January 1926. My Committee have carefully considered the statements and the views expressed therein and in view of the importance of the subject have deemed it fitting to reply to the letter paragraph by paragraph. In the enclosure you will find my Association's answers to each of the contentions made by you in juxta-position.

I am also directed to inform you that, unless I hear from you within two days of receipt of this letter, my committee will understand that you have no objection to the publication of the correspondence.—Yours faithfully,

(Signed) T. MALONEY,
Secretary.

LETTER FROM THE JAPAN COTTON SHIPPERS' ASSOCIATION

According to the latest statistics published by the Japanese Cotton Merchants' Union, which will be subsequently confirmed by the Custom Authorities here, it is most remarkable to see that during the eleven months from January to November 1925, the export of cotton yarn constituted 12¾ per cent. below 30 counts and 87¼ per cent. above 30 counts, as per particulars given below :—

14s and below	..	136½ bales.
16s	..	206½ ,,
20s	..	8,660 ,,
32s	..	10,190½ ,,
42s	..	43,051 ,,
43s	..	8,578½ ,,
Total	..	70,823

(Bales 400 lbs. each.)

As admitting that cotton yarn above 30s cannot economically be produced in India, and its supply is to be obtained from abroad the major portion of import of Japanese cotton yarn does in no way stand in competition with Bombay mills in the least, but on the other hand is very much helpful to the important handloom industry of this country, by supplying the cheap and good material. As for lower counts than 30s Japanese yarn is absolutely impossible to compete with local yarn; for example, the local yarn of 20s, 16s and 14s is quoted at 13 annas, 12¼ annas and 10 annas per lb. against Japanese yarn of 14 annas, 13½ annas

ASSOCIATION'S REPLY

According to the figures published by the Government of India, the imports of yarn have been considerably under-estimated. The Government of India figures show importations of nearly 74,000 bales of yarn from Japan in the period named.

Leaving aside this inaccuracy, from your own figures, the importation of 32 counts and below is not 12¾ per cent. but nearly 25 per cent.

The Bombay Millowners' Association do not admit that yarn above 30s counts cannot be economically produced in India. The official figures of production show that in the last completed financial year, the equivalent of no less than 63,000 bales of counts above 30s were produced in Indian mills. This yarn is used chiefly in the weaving departments of the mills which produce it; but if yarn produced under sweated labour conditions, and in countries with depreciated exchanges are not permitted to compete unfairly, Indian mills would supply the great bulk of the yarn of all counts below 40s used by the handlooms of India. It is a natural aspiration of every self-respecting nation, and it is its duty to supply its own requirements rather than to send its raw products 3,000 miles to another country and bring back manufactured goods produced from those raw products to compete against its own industries.

As to whether the imports of Japanese yarn of lower counts will eventually disappear from the Indian market, my Committee consider that it would be a grave

LETTER FROM THE JAPAN COTTON SHIPPERS' ASSOCIATION—*contd.*

and 12½ annas repectively. Hence, I think, the import of these classes will sooner or later disappear entirely from Indian market.

As regards cotton cloth, I regret that statistics are not complete to give you the total imports into India, but according to the import into Bombay where it is said so bitterly to face keen Japanese competition, the figures of imports during 1925 are as follows :—

Sheeting ..	..	18,648	Bales.
Drill ..	..	9,240	,,
Shirting ..	..	26,886	,,
Fancy ..	..	7,397	,,
Total	..	62,171	

Out of the above, shirting and fancy are mostly of finer goods, which do not conflict with the interests of local mills, while 90 per cent. of sheeting and 45 per cent. of drill are for re-exports. Thus the portion of Indian consumption will hardly be 6,900 bales, namely, 11 per cent. of the total imports. As a matter of fact, Japanese

ASSOCIATION'S REPLY—*contd.*

mistake to leave this to chance, or the pleasure of a foreign country. They wish them to disappear at once and for all time.

Your letter quotes certain prices. These may represent the rates at which Japanese yarns are now being sold, but my Committee would point out that during the greater part of last year, Japanese yarns practically drove 20s yarn produced by Bombay mills out of the market. It should also be borne in mind that the prices for Japanese yarn have only been raised to their present level because of the recent rise in the value of the Yen which has to some extent adversely affected the prices paid for cotton bought some months ago, when exchange was in the region of 110.

My Committee would also like to point out to you that whilst the industry in Bombay suffered heavy losses in 1923, 1924 and 1925, exactly opposite conditions existed in Japan as the underquoted extract from the Japan Financial and Economic Monthly prove—

> " Aside from the future, the results of business of eleven leading spinning companies for the past three half-year terms have been highly satisfactory. Their profits for the first half term of the present year were 38,363,000 Yen approximately. Compared with the latter and former halves of last year it shows an increase of Yen 1,730,000 and Yen 8,980,000, respectively."

One hardly need seek further for the reason of the lack of prosperity of Bombay and Lancashire mills.

My Committee are in a position to supply the all-India figures which you say are not complete.

These figures show that 112,000 bales of piece-goods were imported from Japan in the eleven months ending November 1925. Although this may not seem a very great quantity compared with the total productions of Indian mills, it must be remembered :—

(1) That a survey of the last ten years shows ever-increasing exports from Japan, and my Committee do not wish to await the entire destruction of our home and foreign trade before taking action.

(2) That owing to Japan selling small quantities at low prices, the higher production costs in Indian mills due to shorter hours of work, and high exchange, the whole of the Indian textile industry has been forced to sell at unremunerative rates.

LETTER FROM THE JAPAN COTTON SHIPPERS' ASSOCIATION—*contd.*

goods cannot compete with Indian in low class cloth such as sheeting and drills and only we can get an outlet for finer goods both in yarn and cloth.

Under such circumstances, who can emphatically say that there exists a strong competition from Japan menacing Indian industry? Is it a fair play to propose to terminate the Japanese Convention of 1905 and thereby hurting the friendly good relations so closely tied together between these two great countries, all these years? I doubt if there is any benefit to be obtained from the alleged proposal to break the Indo-Japanese Convention of 1905 as it will simply result in the forced supply of fine yarn at higher prices which is so detrimental to the handloom industry and on the other hand the loss of good regular market for raw cotton thereby totally injuring the interests of Indian ryots. On the part of Bombay mills also, I think there will be no appreciable benefit therefrom as the less prosperity of agriculturists will certainly be reflected on their demand for the country made cloth.

However, if they allude to competition in foreign markets where free trade is to be observed, as a principle after the Great War, there will perhaps be some friction conceivable against their interest, but unquestionably it is beyond the sphere of the Indo-Japanese Convention whatsoever. Really, the termination of this said Convention has nothing to do with India, but to spoil her own interests in future.

By the way, I think, it would be appropriate to give some elucidation in response to the alleged unfair Japanese competition, for which your Chairman has frequently cited the so-called three items, namely :—

(1) *Depreciated Currency.*

Recently with the favourable trend of trade conditions, Japanese exchange has conspicuously appreciated in value, and at present quoting Rs. 122 per Y. 100—which is about Rs. 15 in advance from the bottom and it is now only Rs. 10 to get back to par value, which is Rs. 132 instead of Rs. 153 as given publicity by him. Anyhow, the wild fluctuation is causing her trade a considerable loss as clearly shown in the fact that Japanese mills have been very severely hit by the recent sharp advance in exchange on account of their heavy purchases of American and Indian cotton as they have to buy cotton in stock a few months ahead before their sales of cotton goods. In the present case, depreciated currency cannot be said to be of any advantage to her. Really, in order to cultivate

ASSOCIATION REPLY—*contd.*

(3) That Japan's unfair competition has paralysed our export trade to the Persian Gulf and East Africa.

As to the statement that 90 per cent. of the sheetings and 45 per cent. of the drills sent to Bombay are re-exported, the figures are entirely incorrect unless you are in a position to prove that the Government of India statistics are inaccurate.

The official returns show that from January to November 1925, the equivalent of 21,500 bales of piece-goods were re-exported from all India including the re-exports of English and all other piece-goods.

From your statement we are asked to infer that hardly a bale of any other country's piece-goods are re-exported from any part in India and that the whole of India's re-export trade in piece-goods is confined to re-exports of Japanese grey sheetings and drills from Bombay.

The other eleemosynary remarks in this paragraph bear their own refutation, but my Committee would like to point out that it has for many years been considered an axiom in civilized countries that labour shall not be sweated but shall be permanently benefited.

Under a policy of Free Trade or of Protection, to have the sweated goods driving out goods made under proper and safeguarded labour conditions cannot be tolerated.

You point out that Japanese mills are at no advantage owing to the depreciated value of the Yen at the present time and this may be, to some extent, correct because a large weight of cotton was purchased at 110 and exchange has since risen to 122. This advantage is, however, only temporary and if the Yen remains at its present level, it is certain, labour conditions remaining the same, that Japanese mills will be able to undersell Indian mills. It also should not be forgotten that throughout 1925, Japanese mills had the great advantage of a constantly depreciating exchange.

The contention that the normal exchange rate is Rs. 132 per Yen 100, is most misleading. In arriving at this figure of parity only the sterling value of the Yen has been

LETTER FROM THE JAPAN COTTON SHIPPERS' ASSOCIATION.—*contd.*

the healthy growth of the trade, Japan is constantly aiming and striving to stabilise Yen value at the earliest possible time.

(2) *Indirect Subsidies.*

I need not speak anything further as the question has been fully dealt with by the representatives of the Japanese Cotton Spinners' Association in their evidence of January 1922 placed before the Indian Fiscal Commission and I repeat with emphasis that there is no subsidy from the Government directly or indirectly.

(2) *Sweated Labour.*

Owing to meagre information at my disposal, I am not in a position to discuss the matter exactly to satisfy you, but as far as I am aware, Japan had raised no objection to follow the spirit and the principle laid down by the Washington for Geneva Conference. It is only to be noted that in consideration of her special circumstances, she seems to be allowed some period of grace to enable her to prepare the necessary arrangements, and I have every reason to believe that all signatory powers have willingly agreed to such a postponement. The chief point under this subject seems to be the night work of women which is only used for spinning and I do not think there will be such a great difference arising therefrom on cost calculation as to provoke the present agitation against her. Nevertheless the female night work in Japan will be entirely stopped from the 31st August 1931, loyally adhering to the Conference decision. Therefore she cannot be condemned as a violator in such strong sense, as alleged here, while, I would like to ascertain how the working time is observed in the Indian Native States and what labour conditions exist there?

ASSOCIATION'S REPLY—*contd.*

considered and apparently no consideration has been given to the fact that sterling has depreciated in value in terms of the rupee. The rupee now has a value of 1*s.* 6*d.* against a pre-war par value of 1*s.* 4*d.* sterling. The pre-war par value of the Yen was 2*s.* $\frac{1}{2}$*d.*, it depreciated to 1*s.*7 $\frac{15}{16}$*d.* and now stands at 1/10*d.* If both exchanges are taken into consideration, as they certainly should be, when estimating the depreciation of the Yen in terms of the rupee, it will be found that the normal exchange is 155 and not 132 as estimated by you.

In lightly dismissing this subject you apparently forget that on all goods exported the Consumption Tax on piece-goods is remitted. This is equal to an export bounty of 10 per cent.

Nor do you make any mention of the recent law where by export combinations are exempted from income-tax and business tax.

Again, my Committee would remind you of the Government subsidies given to the Japanese steamship lines, ostensibly for carrying mails, but which enable them to charge ridiculously low freights for the carriage of cotton from India to Japan and for yarn and cloth from Japan to India.

As your information seems to be meagre regarding the sweated labour conditions in your own country, my Committee would refer you to the Japan Year Book of 1924. Earthquake Edition, Chapter 13 (which my Committee believe has now been withdrawn) for further information. After perusal you will be more enlightened as to the labour conditions in Japan.

Secondly, my Committee would draw your attention to the statement of Mr. Mayeda, the Japanese Government representative at the last International Labour Conference :—

> "The proposed amendment of the Japanese Factory Act provides that after three years from its enforcement night work for women and young persons will be prohibited. This three years' preparation may be justified by the necessity of extending equipment and general facilities to cope with the diminution of output consequent on the abolition of night shifts."

It will be noticed that the three years he mentions as the period of grace after which the night work of women and young persons will be abolished, has been extended, under the beneficent auspices of the Japan Spinners' Association until the 31st August 1931.

There is no reason to suppose, judging from past experience that such harmonic progression will even stop at 1931.

LETTER FROM THE JAPAN COTTON SHIPPERS' ASSOCIATION—*contd.*

Simultaneously, I would have to impress upon you that the decision of the Japanese Government to postpone the increase of import duty on pig-iron is a plain proof to show her sincere wish to maintain the smooth and amicable connection so long fostered by us. I cannot too much emphasise that the independence of the iron industry is so essential for her national defence, and the concession is certainly unbearable sacrifice on her part, as there is every prospect of increasing production of pig-iron in her adjacent region.

After all, in my gathering the criticism prevailing here, is mostly superfluous, and it is my deepest anxioty that the campaign of this sort misleading the public would very badly reflect on the cordial relations existing between these two countries, only leaving the evil and unpleasant feeling behind, which will have no gain to either of them whatsoever.

In this respect I have most sincerely to request your careful consideration for the sake of the future welfare of both the nations.

ASSOCIATION'S REPLY—*contd.*

Even if it does, it means that Japan is asking for twelve years grace to put into force legislation which India put into operation in two years.

In the opinion of my Committee, it is obvious that Japan is using the unfair advantages which she now enjoys owing to non-ratification of the Washington Convention, to build up her textile industry at the expense of other countries, and does not intend to alter the labour conditions until she has sufficient spindles and looms to retain the markets she has unfairly filched from her competitors.

My Committee are equally at one with you in the desire that no misleading statements should be made. They are, however, equally desirous that no facts should be suppressed. As regards pig-iron, no country, except at its own expense, can afford to levy duties on raw products of which it has insufficient supplies. You might as well talk of levying a duty on raw cotton entering Japan, and my Committee think that such a threat will leave both the Indian and Washington Governments unperturbed.

The Government of India will eventually decide this case upon its merits, but my Committee wish to impress upon you that legislation conforming to the Washington Conventions has been enforced in India since 1922, and when this legislation was passed the Government of India necessarily took upon itself the onus of seeing that the indigenous industries of this country should be protected against unfair competition from countries which do not conform to the same high stands in labour legislation.

Having replied to all your contentions my Committee would like to draw your attention to the methods of your countrymen in regard to the shipment of cotton from India to Shanghai. A shipper or a manufacturer of cotton in Shanghai is compelled to join the Indian Cotton Transport Association which is, to all intents and purposes, a subsidiary section of the Japan Cotton Spinners' Association, if he wishes to ship goods to Shanghai at the lowest rates. A further remarkable feature of this arrangement is, that in spite of protests from British shippers, this so-called Indian Cotton Transport Association has laid it down that the *Agent of the Japan Cotton Spinners' Association in Bombay* shall allocate the freight space allowed to *British and Indian exporters even in the British ships of the Conference Lines.* In the interests of future harmonious relations, which you state Japan is so anxious to foster, allocation of freight space for cotton exports from Indian ports to the International port of Shanghai should be made either by an impartial authority appointed by the Government of India, or alternatively, all shippers should be allowed freedom to make their own arrangements.

Lastly, my Committee would draw your attention to the methods adopted for protecting Japanese industries against competition from other nations.

Article V of the Japanese Tariff Law states :—

"When important industries in Japan are threatened by the importation of unreasonably cheap articles, or the sale of imported articles at unreasonably low prices, the Government may, under the regulations provided by Imperial Ordinance, specify

such articles, after submitting the matter to investigation by the Anti-dumping Committee, and impose upon them during a certain fixed period of time, duties not exceeding in amount their proper prices in addition to the duties provided in the annexed tariff."

My Committee, under existing circumstances, commend to the scrutiny of the Government of India this and the many other methods adopted by Japan to foster Japanese industries, and in particular the export trade in manufactured goods.

T. MALONEY,
Secretary.

THE JAPANESE COTTON SHIPPERS' ASSOCIATION OF BOMBAY,
C/o MESSRS. JAPAN COTTON TRADING Co., LTD.

MENKWA BUILDING, OUTRAM ROAD,
FORT, BOMBAY,
20th February 1926.

THE SECRETARY,
THE MILLOWNERS' ASSOCIATION, BOMBAY.

DEAR SIR,

In continuation of my letter of 13th instant I am directed to transmit the attached statements to you as reply, which has been carefully considered in view of its importance. As regards the publication, I would like to mention that all the correspondence, including my first letter, should be given publicity by the press.

Yours faithfully,
(Signed) .....

To begin with I am afraid I cannot accept the accuracy of your figures. I also re-affirm that exports from Japan of 30s. and under barely constitute 12¾ per cent. Due note is to be taken that ours are export figures from Japan during the eleven months from January to November 1925, while you showed the figures of imports during the same period here. Hence, naturally they do not coincide.

It is very pleasing to know that the Bombay Millowners' Association think that yarn above 30s. can be economically produced in India; but unless the proposition can be proved with facts and figures, the mere assertion of it is ineffective. Examining the statistics, one will see that Japanese yarns have begun to be imported more freely only during the last eight or ten years. Prior to that the bulk of trade went to Lancashire. In recent years, Indian production of 30s. and above has somewhat increased (although it is still 9 per cent. of the total,—a fact which vitiates by itself your argument); so have Japanese imports; but both have gained at the expense of Lancashire and as India cannot possibly increase her production to any considerable extent in the near future Japanese imports should all the more be welcome as the hand-loom industry is hereby enabled to get its requirements at a cheaper rate than from Lancashire. Moreover as you admit the whole of the Indian yarn production of 30s. is consumed in the weaving departments of the mills, none could be spared for the hand-loom industry and as the best impartial critics are unanimous that India cannot increase her production, effectively within a short time, one cannot say too much of the necessity of the supply of such kind of yarn for the hand-loom industry either from the East or the West, whichever is cheaper and better.

Your remarks regarding 'Sweated Labour' are so rooted in preconceived prejudice and you are so obsessed with your own pet theories about it that I refused to be 'Sweated' into any attempt to remove the thick mist of bias that befogs your vision. Your criticism on exchange must also be deemed puerile inasmuch as you ought to be convinced by this time that Japan is in no way responsible for her depreciated exchange. The earthquake did that and if Japan derived any advantage from it—which I have demonstrated as being open to grave doubt—it is altogether adventitious. Your ought also to know that the Yen is recovering very rapidly. Your reference to the 'natural aspirations of every self-respecting nation' evokes my warm admiration, but what I fail to understand is why this commendable aspiration should be sullied and rendered futile by discriminating against Japan only, leaving the door open to other countries. I cannot see much self-respect in such an unfair attitude.

In the following paragraph you only dogmatise because you fail to convince. Moreover, the latter portion of your remarks bear their own refutation.

In the next paragraph you go on to say that whereas the Bombay mills made heavy losses in 1923, 1924, and 1925 eleven leading Spinning Companies in Japan have made

good profits. We wish the comparison had been more straightforward and less misleading. If it is to carry conviction the basis of comparison must be the same. Why should the results of the best eleven Spinning Companies be singled out for comparison, not with the eleven best mills of India, nor even of Bombay, but with all and sundry worst-managed mills of Bombay City alone. Is that fair? Why not compare the result with the Sholapur Mills, the Vishnu and Laxmi Mills, the Indore Malwa and the Central India Mills and a dozen others which have all along been paying very handsome dividends. Most of the up-country Mills (Ahmedabad, Madras, Cawnpore, Nagpur, Sholapur, Indore and others) are doing quite well, perhaps more than well even in these bad days. Bombay alone grumbles. Moreover, let it not be forgotten that the prosperity of the eleven best spinning mills in Japan does not reflect general prosperity. There are many third class mills which are losing very heavily to-day, and some of them are being forced into liquidation, while amongst the second class mills a good many of them are making very modest profits only. In this connection, I may justly point out that the Japanese Mill Industry has long since tided over the special difficulties created by the post-war conditions, having made the necessary adjustments to restore the industry to a healthy condition. The Indian industry, however, has not yet passed that stage and hence its present difficulties.

Regarding cotton cloth, I regret, I cannot accept your figures as final, for the present. Moreover, your first argument is entirely hopeless. Mere catch words and fine phrases serve no purpose except to mislead public opinion. Japan may be said to have entered the Indian Market seriously enough since the last eight years only. It is natural, therefore, that her trade during these few years should have gradually increased; but the all-important fact to remember and digest is that the increase has not been at the expense of India but of Lancashire. Lancashire imports have fallen off by more than 40 per cent. during the last 15 years whereas Indian production has almost doubled. It is also significant to note that Japan has acquired only a very small fraction of the trade that Lancashire has lost. Hence the net result is that foreign imports had declined very considerably while Indian production has made tremendous headway. And when it is further remembered that Japanese imports constitute only 5 per cent. of the total quantity of cloth available for consumption in India and also that they are of a class which compete with Lancashire goods, it becomes apparent that all the talk about the "Entire destruction of our Home Trade" is a piece of calculated exaggeration.

As regards India's 'foreign trade' the question does not arise as the matter lies outside the scope of the Indo-Japanese Convention. Your second argument is much too preposterous to merit serious criticism. We might, however, just point out that while Japan imports only three or four varieties of goods, Indian mills produce more than a hundred varieties and, the competition, if any at all, is confined to the one or two varieties forming less than one-third of the total imports (*i.e.*, less than 2 per cent. of India's total cloth consumption). To argue therefore that on account of Japan's low prices (for one or two varieties which form less than 2 per cent. of the total consumption) "the whole of the Indian Textile Industry has been forced to sell at unremunerative rates" is to insult the intelligence of the public. Your third argument is quite beside the point. Whether Japan's competition is fair or unfair, the question of Indo-Japanese competition in the neutral export markets falls outside the sphere of the Indo-Japanese Convention. Regarding my statement on re-export I must at once confess that the figure 90 per cent. is erroneous. It is a typist's error and should be read as 60 per cent. Accordingly the portion of Indian consumption will be 46,000 bales, *i.e.*, 74 per cent. of the total Bombay imports; and shirtings and fancy goods constitute nearly three-fourth of it.

As regards your high sounding platitude about its being "an axiom in civilised countries that labour shall not be sweated but shall be permanently benefitted," as I have said before it is a matter of opinion as to what constitutes "sweated labour". I will only add with all the emphasis at my command that far from Japanese labour being 'sweated' its condition is immeasurably superior to that of the Indian labour. The treatment of labour especially by the famous Kanegafuchi group of mills leaves nothing to be desired and is worthy of imitation by the rest of the world. And it is a significant fact that this group which spends most on labour-welfare pays the most handsome dividends also. I am convinced that if you would only visit Japan and see things for yourselves, instead of relying on wild and mischievous reports, you would return satisfied and would change your views.

Your handling of the 'depreciated exchange' question leaves much to be desired and certainly I fail to follow your specious reasonings. The Sterling exchange for all practical purposes must be taken on the basis of 1/8 and calculations must therefore be made accordingly. I might only add that there is no fear, as you seem to think, of the Yen sticking at 122 to disturb your equanimity. It is already 126 and is making constant progress towards recovery to par value.

"Indirect Subsidies" is another of those misapprehensions entertained by you which have no foundation whatsoever. I can quite understand that through constant repetition of it, the idea so grown upon you that you have almost come to believe on it, but that does not help to prove your case. I am amazed at your description of the remission of 10 per cent. consumption tax on exports as so much export bounty. Does not the same practice obtain in your own country too? I am glad to inform you that 10 per cent. consumption tax will be most probably abolished from the next year, as suggested by our Government, just as the Excise Duty is suspended here, and so there will be no cause for you to make such misleading statements in the future. Your suggestion also that export combinations are exempted from Income Tax and Business Tax was entirely misleading, for you might take it for the various trade guilds that do not deal in any business, and exporting houses derive no relief whatsoever.

As to "Sweated Labour", I have already given you my views, but the subject will be dealt with later more fully. Your suggestion that past experience of Japan is not satisfactory enough to convince you of its acting up to its promise to return to single shift from September 1931 is not only highly provocative but wantonly insulting. The undertaking was to return to single shift three years after the enforcement of the Factory Act, but no date was promised as to the introduction of Factory Act Legislation. Hence there is no violation of any pledge to justify your unfair remarks. We quite agree with you that it will be the Government of India and not the Bombay Millowners' Association that will be eventually called upon to decide this question on its merits, and I have ample confidence that the Government of India will not be misled by you: one-sided criticism.

In this connection, Mr. Ley has already replied to the question put by Sir Dinshaw E. Wacha in the Council of State, as per the abstract of the *Times of India* as follows :—

LABOUR HOURS IN JAPAN

No Complaint Possible

Delhi, February 10th, 1926.

"In the Council of State to-day Sir Dinshaw E. Wacha asked; Has the Japanese Government failed hitherto to give legislative effect to certain resolutions of the Geneva Labour Conference passed some time since regarding shorter hours of labour, the non-employment of children and women at night and other kindred matters? If so, do Government propose drawing the attention of the coming Labour Conference to this failure?

The Honourable Mr. A. H. Ley replied: The Honourable Member is presumably referring to the draft conventions adopted at the first session of the International Labour Conference, held at Washington in 1919, relating to hours of work at night, work for women and night work for young persons. As considerable misapprehension appears to exist on the subject of these Conventions and the obligations involved in them, I am glad to have this opportunity of explaining the position. No country is obliged to enforce any draft convention adopted by an International Labour Conference unless and until it has ratified that convention and the question whether a convention shall or shall not be ratified is a matter for the authorities within the country to decide. Should the competent authority decide that the convention shall not be ratified no legal obligations rest on that country to secure the enforcement of the convention. If a member fails to secure the effective observance of any Convention, which it has ratified, any other member ratifying that convention is entitled to file a complaint with the International Labour Office under Article 411 of the Treaty of Versailles. As however, Japan has not ratified any of the conventions, to which I have referred, no question of such a complaint can arise."—(Associated Press).

Your reference to the formation of the Indian Cotton Transport Association in Shanghai and the remarks in connection therewith display some ignorance. The Association is formed with a view to protect the interests of the Importers of Cotton in Shanghai, and as those interests represent the welfare of the Chinese Cotton Mill Industry, we in Japan rather stand to suffer from the activities of this body instead of gaining anything as you seem to suggest. The Association has been formed by the unanimous wish of all importers and Mills in Shanghai, regardless of any nationality, and as a matter of fact, English and Indian merchants have all willingly supported the scheme, as for the attached statement of the Indian Cotton Importers' Association of Shanghai, a perusal of it will satisfy you that this Association is not a subsidiary body under the controlling influence of the Japan Cotton Spinners' Association. Nevertheless, if you have any grievance as to allocation of freight in India for cotton shipments to Shanghai you would do well to ventilate it to the Shanghai Head Quarters.

THE MILLOWNERS' ASSOCIATION,
Bombay, 4th March 1926.

THE HONORARY SECRETARY,
THE JAPAN COTTON SHIPPERS' ASSOCIATION, BOMBAY.

DEAR SIR,

I am directed to acknowledge the receipt of your etter dated the 20th February 1926.

As desired by you I am sending your letter to the Press.

We have no desire to imitate the tone of your reply and except in regard to the one point of profits made by Japanese Mills in 1925, my Committee have nothing further to add to the categorical answers already given to each of the contentions made in your original letter. My Committee are content to leave it to the Indian public to form its own conclusions as to the accuracy of the statements and statistics made in their last letter, every one of which was based on unimpeachable information from official or other authoritative sources, either Japanese or Indian.

In regard to your contention that the Bombay Millowners' statement regarding profits was misleading, since the information related *only to eleven spinning companies*, my Committee wish to point out for the information of your Association that the eleven Japanese companies referred to in my letter represent 40,74,249 spindles and 41,812 looms. As the total number of spindles and looms in Japan are 51,10,000 and 64,000 respectively it will be seen that these eleven combinations of which the profits were given, represent 79¾ per cent. of the total spindles and 65 per cent. of the total looms. The public may judge whether it is only an insignificant proportion of Japanese Mills which made huge profits in 1923, 1924 and 1925, as you state.

My Committee await with considerable interest the fuller statement you have promised regarding hours of labour and employment of women at night.

Yours faithfully,
(Signed) T. MALONEY,
Secretary.

APPENDIX 4

Cotton Mill Labour in Japan

The Agent of the Japan Cotton Spinners' Association at Bombay writes to us as follows :—

A representative of a cotton mill in Japan, a friend of mine, who recently visited India to study the conditions of Indian Labour, writes me from Japan, as follows, regarding the labour conditions in cotton mills in Japan.

In reply to the charge of "Sweated labour" of females, he declares that, in his frank opinion, Japanese labour was not sweated in any sense of the word and he desires to make a fervent appeal to Indian millowners to visit Japan and satisfy themselves personally as to the labour conditions obtaining there, instead of drawing their information from mischievous sources.

The following details are about first and second class mills which employ more than 60 per cent. of the total female labour in Japanese mills, and while admitting that small differences, here and there, in the treatment of labour, may be found in individual mills, he pledges his word that his information on the whole is broadly true; and casually mentions the following ten mills, employing 83,569 female-hands, as representing the better class of mills who are very particular about the welfare of their workers. They are :—

Kanegafuchi Mills employing	14,428	females.
Dai Nippon Mills ,, ...	20,092	,,
Toyo Mills ,, ...	17,032	,,
Wujigas Mills ,, ...	1,725	,,
Nisshin Mills ,, ...	7,305	,,
Kurashiki Mills ,, ...	4,761	,,
Naigai Mills ,, ...	917	,,
Wakayama Mills ,, ...	2,733	,,
Wukushima Mills ,, ...	5,235	,,
Godoh Mills ,, ...	9,341	,,
Total ..	83,569	females

It may be added here that the total number of female-workers in Japanese mills is 138,277.

A General Description of the Condition and Treatment of Female Labour in Japan

1. *Age.*—15 to 20 years.

2. *Average Number of Years* for which they work is about three years (running), *i.e.*, generally until the age of matrimony is attained. After marriage, the bulk of the female workers give up factory work.

3. *Education.*—All mill-hands have to undergo a course of compulsory education for six years. Labourers with even Middle and High School education are not rare.

4. *Working Hours.*—The nett working hours in single shift are ten and an additional hour reserved for rest. It is only the spinning departments of mills that work double shift, the weaving departments working only one shift, *i.e.*, in day-time. It is hardly necessary to add that the labour employed in double shifts is separate in each shift. The standard daily routine in dormitories, family quarters and factories is as follows :—

Day Labourers.—Breakfast	6-30 a.m.	
Work begins	7-00 a.m.	
Rest for ½ hour	9-00 a.m. to 9-15 a.m.	
Tiffin	Noon.	
Rest for ½ hour	Noon to 12-30 p.m.	
Rest for ¼ hour	3-00 to 3-15 p.m.	
Day work closes	6-00 p.m.	
Bath	6-15 p.m.	
Dinner	6-30 p.m.	
Bed	9-00 p.m.	
Night Workers.—Dinner	6-30 p.m.	
Night Shift begins	7-00 p.m.	
Rest ½ hour	9-00 p.m. to 9-15 p.m.	
Meals	Mid-night.	
Rest for ½ hour	Mid-night to 12-30 a.m.	

Rest for ½ hour	..	..	.. 3-00 to 3-15 a.m.
Night Shift ends	..	..	.. 6-00 a.m.
Bath ..	..	..	.. 6-30 a.m.
Breakfast ..	..	..	.. 7-00 a.m.
Rest and bed	..	..	.. 7-30 to 5-30 p.m.

5. *Holidays.*—The holidays observed in Japanese mills are all Sundays, and three National holidays and five local festival holidays per annum.

6. *Wages, Allowances, Bonus and Compensation.*

(*a*) Daily wages—Y1·20 (female).

(*b*) Board allowance—Y0·28.

(*c*) Summer wages—Four days' extra salary is given during summer over and above the ordinary monthly salary.

(*d*) Absenteeism arising from illness or accident is allowed for on full pay.

(*e*) Bonus is distributed twice a year, each bonus being equal to one month's salary.

(*f*) Retiring Allowance.—On the expiration of the term of service (generally two or three years) more than one month's salary is given as Retiring Bonus.

(*g*) In the event of any accident to an operative, reasonable compensation is enforced by legislation. Moreover, the mill staff and labourers have their own "mutual Aid Funds" which are utilised for giving relief to any member afflicted with domestic misfortune or catastrophe.

7. *The Dormitory System.*

(*a*) Unmarried labourers are housed in dormitories which are well ventilated and have proper sanitary and hygienic arrangements. Family men are provided separate private quarters which are also in the mill compound. The individual mill-hand pays less than half the actual boarding charges incurred by the mills, *i.e.*, he pays 12 sens against the actual expenses of 40 sens, thus receiving a benefit of 28 sens or nearly 5½ annas per day.

(*b*) The dormitories are effectively supervised, each block being under the charge of a dormitory-keeper and each room under the supervision of a senior hand. The strict discipline enforced by these "Agents des moeurs" serves to maintain complete morality among the male and female-workers.

8. *Provision for Medical Aid, Gymnastics and Recreation* for the labourers is also receiving the constant care and attention of the employers as they consider the health, comfort and happiness of the operatives essential to efficient production.

(*a*) Every mill has its own hospital and provides 50 to 60 beds, with 7 or 8 doctors, and a dozen nurses.

Medical help and treatment are, of course, gratis, and an average of 15 patients per mill of a complement of 3,000 hands take advantage daily.

(*b*) Sanatoriums for convalescents are provided at sea-side resorts and in the vicinity of hot springs.

(*c*) Every mill has its own gymnasium and pleasure halls where provision is made for indoor games and pastimes. In addition to this, cinema and theatrical entertainment is provided once a week. The halls referred to can accommodate 2,000 persons. Provision for outdoor games is also made and tennis courts, base-ball grounds and wrestling arenas are available for the men.

(*d*) Athletic meetings are held twice every year and the workers are also taken out occasionally on sight-seeing excursions and these are much enjoyed by the young workers, as these events revive the happy memories of their school days.

(*e*) Education—The mill authorities are equally anxious about the mental cultivation of the young generation of workers, and besides providing libraries, regular courses of instruction are given. Young females are afforded every possible opportunity of acquiring training in domestic economy and household management. Instruction is given in needle work and embroidery, cookery and music. Even such liberal, accomplishments, as the arts of "tea-ceremony" and flower decoration, accomplishments which cannot be bestowed even on the daughters of the petit bourgeois before marriage, are imparted to the humblest of labourers who care to avail themselves of the opportunity.

9. *Compulsory Savings and Bargain Sales.*—The mill authorities are very anxious that labourers should cultivate the habit of thrift and save as much as possible of their earnings "for a rainy day". Board and lodging being free of cost (save for a very nominal contribution), the authorities provide cloth and miscellaneous stores and articles of personal use at the lowest cost price. Thus the labourers are enabled to save on an average as much as 70 per cent. of their income; and if we make allowance for their remittances to their family homes, their nett savings range from 30 to 40 per cent. The management further encourage the habit of saving by offering attractive rates of interest (higher than bank rates) on deposits, so that it is not uncommon for the labourers, to take away with them the handsome sum of Y1,000 to Y2,000 when they leave the mills after two or three years' work.

Labour Conditions in Japan

To The Editor," The Capital, " Calcutta

Dear Sir,

The attention of the Committee of the Bombay Millowners' Association has been drawn to a letter in the correspondence columns of your issue of the 27th March which purports to throw light on labour conditions in Japan. The article paints a pleasant picture of the seemingly Utopian conditions under which the Japanese textile labourer toils, but it is, to say the least, surprising that although the article appears above the name of the Japan Cotton Spinners' Association, the statements made are not based upon the facts and statistics published by the Japan Cotton Spinners' Association, or on any official Japanese publication but upon the unsupported statements and idyllic illusions of an anonymous individual connected with the Japanese cotton industry, and for this reason carry no weight.

My Committee, however, deem it desirable to point out a few of the inaccuracies contained in the letter.

From the twenty-fifth Financial and Economic Annual of Japan, it appears that out of a total of 938,842 operatives employed in Japanese textile factories, 177,048 are males and 761,794 are females. Of the total number of females employed, 197,834 are under sixteen years of age, and 563,960 are above sixteen years of age. If no females below fifteen years of age were employed in Japanese mills, as is sought to be made out by your correspondent, then the Financial and Economic Annual would hardly contain particulars regarding the number of females under 16 employed in the textile factories of Japan.

The average number of years for which the female operatives work, is set down by your correspondent to be three years after which period it is represented that the female operatives return to their homes to get married, having accumulated savings which would compare favourably with those of workers in any other part of the world. The best answer to this is afforded by the under-quoted extract from the article on Labour Recruitment in Japan which appeared some time back in the *International Labour Gazette* from the pen of no less a person than Shunzo Yoshiseka, Director of Factory Inspection. After referring to excessive hours of work, low wages, night work, congestion, restricted freedom, etc., as hampering the recruitment of female operatives, that officer goes on to say :—

> " Again, the country folk see many sudden changes in their friends and receive bitter disillusionments ; they hear of the risks to life and health in factory work ; an innocent country girl, who left home full of health and vigour soon returns with wrecked health and haggard face, or news come of her utter moral ruin and degradation ".

The remark that double shift is being worked only in the spinning department and not in the weaving department is contradicted by the annual statistics issued by the Japan Cotton Spinners' Association themselves, from which it is clear that double shifts are worked in a considerable number of weaving and in practically all spinning mills The following examples are taken from the statistics published by the Japan Cotton Spinners' Association :—

	Working hours per day	
	Yarn.	*Cloth.*
Hattori Shoten Spinning and Weaving Co., Ltd. ..	22	22
Kikui Boshoku Spinning and Weaving Co., Ltd. ..	22	22
*Nagai Wata Kaisha Spinning and Weaving Co., Ltd.	22	20½
Osaka Meryasu Spinning and Weaving Co., Ltd. ..	21	20½
Toyoda Boshuka Spinning and Weaving Co., Ltd.	20	20

(*The name of this mill is included in the list given in the article and the figures of working hours effectively refutes the contention that only one shift is worked in the weaving departments, even in the selected mills enumerated by your correspondent. In the case of Kanegafuchi Mills and the Dai Nippon Mills, mentioned in the list of mills quoted in the article, the working hours per day in the weaving departments are 14½ and 15 respectively.)

As regards holidays, it may be mentioned that even the amended Factory Act of Japan makes no provisions for holidays for adult males, and only two holidays in a month for youths under sixteen and females. If the Japanese mills are really kept closed on all Sundays as your correspondent has tried to make out, then one wonders why a proviso to that effect is not inserted in the Factory Act instead of the existing proviso ?

As regards the dormitory system your correspondent may be referred to the Japan Year Book (Earthquake Edition) where a reference is made to an enquiry made by the

Department of Agriculture and Commerce into the living and dietary conditions of operatives in spinning and weaving factories. We there read :—

"Workshops have generally come to be better equipped from the hygienic point of view but the condition of dormitories is as bad as before, except in some large factories. Small factories have no special accommodation for lodging and the workers are made to live and sleep in a part of the factory building or in attics destitute of sanitary devices such as ventilation, sunshine, etc. For instance, the dormitories covering a small area of 79·463 tsubo* are made to accommodate 84·327 men and women, 0·94 tsubo per operative. In most cases only 0·5 to 1 tsubo are allotted to one person while in some cases two to ten persons are compelled to lie down in a space of 1 tsubo. *What is much worse 357 factories are not provided with a sick room. When a worker is taken ill, he or she is confined in the ordinary bed rooms and when the case turns out to be serious the patient is sent home or to the hospital under special contract. Only in 8 factories are there physicians in attendance.*"

The sentences which are in italics are an excellent commentary on your correspondent's statement that :—

"Every mill has its own hospital and provides 50 to 60 beds with 7 or 8 doctors and a dozen nurses. Medical help and treatment are of course *gratis* and an average of 15 patients per mill of complement of 3,000 hands take advantage daily."

It is further stated by your correspondent that "in the event of any accident to an operative reasonable compensation is enforced by legislation." So far as my Committee are aware there is no Workmen's Compensation Act in Japan. Had there been any such legislation in existence, there would have been no occasion for inserting Article XV in the amended Factory Act which says that the compensation to be given to a workman who suffers injuries or dies in the performance of his duty, is to be determined by Imperial Ordinance. But the nature of the Imperial Ordinance, or whether one really exists, is not known.

My Committee do not wish to disturb the happy effect of the idyllic picture drawn by your correspondent of mill life in Japan with its hospitals, sanatoriums, gymnasium, pleasure halls, cinema and theatrical entertainments, tennis courts, base-ball grounds, wrestling arenas, etc. My Committee would only state that the official and demi-official publications of Japan including those from which extracts have been quoted above, bear ample evidence to the harrowing conditions of mill life in Japan, in striking contrast with the imaginative masterpiece drawn by your correspondent.—Your, faithfully,

T. MALONEY,

BOMBAY, *7th April 1926.* *Secretary.*

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* A tsubo is approximately equal to a space 6 feet long and 3 feet wide.

APPENDIX No. 5

Extract from a letter, dated 8th February 1924, addressed to the Secretary to the Government of India in the Commerce Department by the Bombay Millowners' Association on the subject of Cotton Excise Duties

From the figures submitted by a number of typical Bombay mills it was found that with cotton at Rs. 500 per candy the proportionate cost for dutiable stores when making standard Longcloths was 6·5 per cent. of the total cost of production, and when spinning 18s. weft, 2·25 per cent.

The following calculation gives an approximate idea of the amount of duty paid by cotton mills in British India on imported mill stores.

The average rate of duty paid on stores has been taken as 10 per cent. which, it is thought, represents as fair an estimate as it is possible to make. As previously mentioned, the more important stores, such as sizing materials and dyes, pay 15 per cent. *ad valorem* but a certain proportion of machinery spare parts are admitted at the rate of 2½ per cent.

The total value of cloth produced in British India was :—

		Rs.	
1920-21		60,39,24,275	From monthly Statistics
1921-22		58,21,63,796	of Cotton Spinning and
1922-23		56,55,13,926	Weaving.
	(3)	1,75,16,01,997	
		58,38,67,332	

	Rs.
Average of last three years = Rs. 58,38,67,332, say ..	= 58,00,00,000
Value on stores (6·5 per cent. on cost value) ..	= 3,77,00,000
Duty on stores at 10 per cent. *ad valorem* ..	= 37,70,000

Weight of yarn produced :—

		lbs.	
1920-21		62,16,55,441	From monthly Statistics
1921-22		65,30,10,720	of Cotton Spinning and
1922-23		66,19,10,823	Weaving.
	(3)	1,93,65,76,984	
		64,88,58,994	

Average of last three years = 64,88,58,994 lbs., say 65,00,00,000 lbs.

	Rs.
Approximate value at 14 annas per lb... ..	= 57,00,00,000
Value of stores at 2·25 per cent.	= 1,28,25,000
Duty on stores at 10 per cent. *ad valorem* ..	= 12,82,500
Total duty paid per year by mills on yarn and cloth	= 50,52,500

The average amount collected per year from mills in British India in the form of Excise Duty, according to the Monthly Statistics of Cotton Spinning and Weaving in Indian Mills, for the past three years was Rs. 2,09,02,000.

The total taxation paid by Mills in the form of Excise Duty on cloth and Import Duty on mill stores is therefore in the neighbourhood of Rs. 2,59,54,500 or in round figures 260 lakhs of rupees per year.

TABLE 1

Progress of Cotton Mills in the City and Island of Bombay since 1865

Years ending 30th June.	Number of Mills.	Number of Spindles.	Number of Looms.	Average Number of hands employed daily.	Approximate quantity of Cotton consumed.	
					Cwts.	Bales 392 lbs.
1865	10	2,49,984	3,378	6,557	Not recorded.	Not recorded.
1866	10	2,74,371	3,251	6,733	Do.	Do.
1867	10	2,78,057	3,578	7,630	Do.	Do.
1868	10	2,82,644	3,643	7,715	Do.	Do.
1869	10	2,85,874	3,719	7,857	Do.	Do.
1870	10	2,90,920	4,090	8,103	Do.	Do.
1871	10	3,05,896	4,290	8,553	Do.	Do.
1872	11	3,14,396	4,302	8,816	Do.	Do.
1873	14	3,94,592	4,606	10,714	2,35,763	67,361
1874	15	4,62,151	5,713	11,398	2,89,065	82,590
1875	27	7,52,634	7,781	13,551	Not recorded.	Not recorded.
1876	29	8,16,830	8,041	....	Do.	Do.
1877	31	8,95,204	8,433	20,347	5,64,270	1,61,220
1878	32	9,55,344	10,266	26,942	7,15,078	2,04,308
1879	32	9,81,000	10,856	28,860	6,32,436	1,80,696
1880	32	9,87,676	10,856	20,417	7,71,239	2,20,354
1881	32	9,91,522	10,932	31,351	9,54,772	2,72,792
1882	36	10,56,004	11,274	31,801	9,71,061	2,77,446
1883	38	11,26,698	11,667	34,736	10,94,016	3,12,576
1884	43	12,51,726	11,985	36,071	12,18,490	3,48,140
1885	49	13,47,390	12,011	41,545	13,73,743	3,92,498
1886	50	13,88,773	12,068	44,111	13,69,039	3,91,154
1887	55	14,46,644	12,163	43,270	15,87,049	4,53,614
1888	61	14,57,015	12,752	47,789	17,50,014	5,00,004
1889	69	15,91,328	13,380	52,490	19,73,055	5,63,730
1890	70	18,95,660	13,785	59,139	22,26,819	6,36,234
1891	67	19,09,123	14,347	61,981	26,68,967	7,62,562
1892	68	19,34,716	14,900	65,087	25,50,058	7,28,588
1893	69	20,41,208	16,604	67,870	25,34,910	7,24,260
1894	69	20,27,374	18,265	70,553	25,57,296	7,20,656
1895	69	21,23,892	20,217	75,740	28,53,879	8,15,394
1896	71	21,86,323	21,335	78,455	29,73,873	8,49,678
1897	75	21,87,425	21,287	69,530	24,59,646	7,02,756
1898	82	22,26,982	21,379	70,728	28,60,648	8,17,328
1899	82	24,10,861	22,209	77,169	33,27,800	9,50,800
1900	82	25,36,891	22,215	72,914	26,06,800	7,44,800
1901	81	25,71,092	22,414	82,162	24,35,153	6,95,758

TABLE 1—contd.

Years ending 30th June.	Number of Mills.	Number of Spindles.	Number of Looms.	Average Number of hands employed daily.	Approximate quantity of Cotton consumed.	
					Cwts.	Bales (392 lbs.)
1902	80	25,23,769	22,845	86,122	34,55,823	9,87,378
1903	80	25,33,382	23,125	86,913	34,51,798	9,86,228
1904	79	25,34,230	24,136	89,915	34,04,569	9,72,734
1905	81	25,60,916	28,073	92,924	37,53,582	10,72,452
1906	84	26,14,323	28,778	1,00,798	39,94,424	11,41,264
1907	85	26,13,483	31,982	98,101	39,05,125	11,15,750
1908	86	27,34,683	35,967	1,01,536	37,77,179	10,79,194
1909	89	28,00,345	39,264	1,05,751	38,45,464	10,98,704
1910	89	28,24,046	41,931	1,04,550	34,44,203	9,84,058
1911	87	28,90,590	42,467	1,04,500	33,37,075	9,53,450
1912	86	28,85,452	43,388	1,09,691	37,71,656	10,77,616
1913	90	29,25,966	45,250	1,10,033	37,52,735	10,72,210
1914*	85	30,09,172	48,845	1,09,860	37,73,133	10,78,038
1915*	86	29,94,367	51,846	1,11,924	35,91,175	10,26,050
1916*	86	29,84,575	53,205	1,18,303	38,36,609	10,96,174
1917*	87	29,33,715	57,921	1,25,713	39,71,849	11,34,814
1918*	87	28,82,648	59,162	1,24,199	37,39,722	10,68,492
1919*	85	29,34,476	60,778	1,26,368	34,09,146	9,99,756
1920*	83	29,64,526	60,634	1,40,208	33,50,025	9,57,150
1921*	83	30,25,488	62,763	1,47,740	37,12,093	10,60,598
1922*	82	31,17,284	65,521	1,49,224	37,59,693	10,74,198
1923*	81	33,49,082	68,946	1,48,771	37,08,705	10,59,630
1924*	82	34,27,261	71,133	1,48,414	28,75,131	8,21,466
1925*	82	34,56,233	72,266	1,53,009	34,81,562	8,94,732

* Year ending 31st August.

TABLE 2

Progress of Indian Mills during the past 50 years

Years ending 30th June.	Number of Mills.	Number of Spindles.	Number of Looms.	Average Number of hands employed daily.	Approximate quantity of Cotton consumed.	
					Cwts.	Bales 392 lbs.
1876	47	11,00,112	9,139	Not stated.	Not stated.	Not stated.
1877	51	12,44,206	10,385	Do.	Do.	Do.
1878	53	12,89,700	10,533	Do.	Do.	Do.
1879	56	14,52,794	13,018	42,914	9,36,547	2,67,585
1880	56	14,61,590	13,502	44,410	10,76,708	3,07,631
1881	57	15,13,096	13,707	46,430	13,26,461	3,78,989
1882	65	16,20,814	14,172	48,467	13,91,467	3,97,562
1883	67	17,90,388	15,373	53,476	15,97,946	4,56,565
1884	79	20,01,667	16,262	60,287	18,59,777	5,31,365
1885	87	21,45,644	16,537	67,186	20,88,621	5,96,749
1886	95	22,61,561	17,455	74,383	22,51,214	6,46,749
1887	103	24,21,290	18,536	76,942	25,41,966	7,26,276
1888	114	24,88,851	19,496	82,379	27,54,437	7,86,982
1889	124	27,02,518	21,561	91,598	31,10,289	8,88,654
1890	137	32,74,196	23,412	1,02,721	35,29,617	10,08,462
1891	134	33,51,694	24,531	1,11,018	41,26,171	11,78,906
1892	139	34,02,232	25,444	1,16,161	40,80,783	11,65,938
1893	141	35,75,917	28,164	1,21,500	40,98,528	11,71,008
1894	142	36,49,736	31,154	1,30,461	42,78,778	12,22,508
1895	148	38,09,929	35,338	1,38,669	46,95,999	13,41,714
1896	155	39,32,946	37,270	1,45,432	49,32,613	14,09,318
1897	173	40,65,618	37,584	1,44,335	45,53,276	13,00,936
1898	185	42,59,720	38,013	1,48,964	51,84,648	14,81,328
1899	188	47,28,333	39,069	1,62,108	58,63,165	16,75,190
1900	193	49,45,783	40,124	1,61,189	50,86,732	14,53,352
1901	193	50,06,936	41,180	1,72,883	47,31,090	13,51,740
1902	192	50,06,965	42,584	1,81,031	61,77,633	17,65,038
1903	192	50,43,297	44,092	1,81,309	60,87,690	17,39,340
1904	191	51,18,121	45,337	1,84,779	61,06,681	17,44,766
1905	197	51,63,486	50,139	1,95,277	65,77,354	18,79,244
1906	217	52,79,595	52,668	2,08,616	70,82,306	20,23,516
1907	224	53,33,275	58,436	2.05,696	69,30,595	19,80,170
1908	241	57,56,020	67,920	2,21,195	69,70,250	19,91,500
1909	259	60,53,231	76,898	2,36,924	73,81,500	21,09,000
1910	263	61,95,671	82,725	2,33,624	67,72,535	19,35,010
1911	263	63,57,460	85,352	2,30,649	66,70,531	19,05,866
1912	268	64,63,929	88,951	2,43,637	71,75,357	20,50,102

TABLE 2—contd.

Years ending 30th June.	Number of Mills.	Number of Spindles.	Number of Looms.	Average Number of hands employed daily.	Approximate quantity of Cotton consumed.	
					Cwts.	Bales 392 lbs.
1913	272	65,96,862	94,136	2,53,786	73,36,056	20,96,016
1914*	271	67,78,895	1,04,179	2,60,276	75,00,941	21,43,126
1915*	272	68,48,744	1,08,009	2,65,346	73,59,212	21,02,632
1916*	266	68,39,877	1,10,268	2,74,361	76,92,013	21,97,718
1917*	263	67,38,697	1,14,621	2,76,771	76,93,574	21,98,164
1918*	262	66,53,871	1,16,484	2,82,227	72,99,873	20,85,678
1919*	258	66,89,680	1,18,221	2,93,277	71,54,805	20,44,230
1920*	253	67,63,076	1,19,012	3,11,078	68,33,113	19,52,318
1921*	257	68,70,804	1,23,783	3,32,179	74,20,805	21,20,230
1922*	298	73,31,219	1,34,620	3,43,723	77,12,390	22,03,540
1923*	333	79,27,938	1,44,794	3,47,390	75,30,943	21,51,698
1924*	336	83,13,273	1,51,485	3,56,887	67,12,118	19,17,748
1925*	337	85,10,633	1,54,202	3,67,877	76,92,085	22,26,310

* Year ending 31st August.

TABLE 3

TABLE

Detailed Statement of the Quantity in pounds and their Equivalent

Grand Total, India (British India

Twelve months

Description.		1907-08.	1908-09.	1909-10.
Grey and Bleached Piece-goods.—				
Chadars	Pounds ..	14,922	13,264	17,801
	Yards ..	42,826	38,765	51,041
Dhutis ..	Pounds ..	48,358	46,501	50,111
	Yards ..	237,900	233,878	249,574
Drills and Jeans	Pounds ..	5,012	6,518	6,143
	Yards ..	21,573	24,708	22,084
Cambrics and Lawns ..	Pounds ..	492	424	571
	Yards ..	3,152	2,759	4,088
Printers	Pounds ..	5,705	5,686	7,310
	Yards ..	7,744	26,186	33,003
Shirtings and Longcloth ..	Pounds ..	48,007	48,634	57,848
	Yards ..	207,227	206,314	244,896
T-cloth, Domestics and Sheetings.	Pounds ..	25,434	26,217	31,018
	Yards ..	120,315	123,841	140,593
Tent Cloth	Pounds ..	2,559	2,895	2,299
	Yards ..	6,184	7,693	5,780
Khadi, Dungree or Khaddar ..	Pounds ..	....	....	....
	Yards ..	....	....	....
Other Sorts	Pounds ..	3,695	4,859	5,502
	Yards ..	14,126	21,827	20,460
Total ..	Pounds ..	155,084	154,997	178,602
	Yards ..	680,037	685,972	771,517
Coloured Piece-goods ..	Pounds ..	31,235	34,932	47,638
	Yards ..	128,380	13,858	192,352
Grey and Coloured Goods other than Piece-goods ..	Pounds ..	1,815	1,592	1,704
	Dozens ..	464	400	429
Hosiery	Pounds ..	424	602	624
	Dozen ..	271	212	332
Miscellaneous	Pounds ..	192	241	255
Cotton Goods mixed with Silk or Wool.	Pounds ..	....	....	....
GRAND TOTAL ..	Pounds ..	189,052	192,365	228,824
	Yards ..	808,427	824,489	963,869
	Dozens ..	734	648	761

Note.—Figures in black type apply to British India only.

No. 3

in Yards and Description of Woven Goods produced in Indian Mills and Indian States). 000's *omitted*

April to March

1910-11.	1911-1912	1912-13.	1913-14.	1914-15.	1915-16.
19,110	22,527	25,204	23,673	22,797	26,055
56,089	68,177	75,396	69,870	65,603	75,163
51,466	56,277	60,151	59,132	57,400	70,037
253,246	268,460	291,476	284,770	258,974	323,040
7,341	7,588	7,895	7,510	8,521	12,658
25,604	27,567	28,931	27,813	30,789	46,329
563	980	1,067	744	517	1,025
4,171	6,326	7,053	5,053	3,545	5,701
7,217	5,558	6,258	6,512	6,448	6,109
33,469	26,399	29,450	30,384	28,007	26,900
66,558	71,593	68,644	66,458	75,520	100,006
287,568	313,053	302,024	292,488	320,705	419,625
30,997	31,576	33,238	19,733	30,815	35,821
139,438	142,107	143,095	124,969	134,288	151,401
2,395	2,475	2,382	2,327	3,906	5,479
5,908	6,062	5,782	5,814	8,962	11,844
....	....	....	....	....	....
....	....	....	....	....	....
6,097	6,327	6,272	6,674	7,653	9,975
23,645	25,220	25,384	27,286	29,627	34,264
191,736	204,901	211,111	202,763	213,576	267,165
829,197	883,381	914,191	872,446	880,502	1,094,867
51,786	59,554	71,828	68,829	61,067	81,604
213,545	252,771	306,251	291,846	255,206	346,647
1,598	1,606	1,813	2,166	1,735	2,541
486	417	415	638	512	653
624	497	501	471	286	356
340	273	285	267	179	220
71	86	218	158	341	589
....	....	....	....	....	....
245,815	266,644	285,471	274,389	277,006	352,255
1,042,742	1,136,152	1,220,443	1,164,292	1,135,708	1,441,515
825	690	700	905	692	874

TABLE

Description.		1916-17.	1917-18.	1918-19.
Grey and Bleached Piece-goods—				
Chadars	Pounds ..	22,009	17,766	12,972
	Yards ..	67,761	54,049	37,914
Dhutis	Pounds ..	66,641	70,135	77,777
	Yards ..	300,949	325,017	369,357
Drills and Jeans	Pounds ..	15,403	21,244	15,105
	Yards ..	56,503	78,611	54,284
Cambrics and Lawns ..	Pounds ..	1,124	1,490	941
	Yards ..	6,379	8,277	5,195
Printers	Pounds ..	7,288	5,932	5,181
	Yards ..	31,599	26,593	23,067
Shirtings and Longcloth ..	Pounds ..	98,039	99,204	86,160
	Yards ..	427,753	450,630	393,779
T-cloth, Domestics and Sheetings.	Pounds ..	46,403	31,169	24,641
	Yards ..	192,132	137,396	110,511
Tent Cloth	Pounds ..	8,553	12,002	20,109
	Yards ..	17,181	24,550	36,870
Khadi, Dungree or Khaddar ..	Pounds ..	....	....	....
	Yards ..	....	....	....
Other Sorts	Pounds ..	9,392	9,832	14,955
	Yards ..	35,913	35,899	45,733
Total ..	Pounds ..	274,851	268,772	257,840
	Yards ..	1,136,170	1,141,022	1,076,711
Coloured Piece-goods ..	Pounds ..	98,352	106,752	85,602
	Yards ..	441,962	473,105	374,015
Grey and Coloured Goods other than Piece-goods.	Pounds ..	3,113	3,639	3,744
	Dozens ..	660	706	721
Hosiery	Pounds ..	410	349	261
	Dozens ..	237	215	149
Miscellaneous	Pounds ..	960	1,638	1,827
Cotton Goods mixed with Silk or Wool.	Pounds ..	43	253	307
GRAND TOTAL ..	Pounds ..	377,729	381,404	349,580
	Yards ..	1,578,133	1,614,126	1,450,726
	Dozens ..	897	921	870

No. 3—contd.

1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26
23,205	19,841	19,712	20,671	20,237	21,646	22,787
68,093	59,194	59,428	63,202	58,003	61,614	62,076
73,413	73,685	96,157	91,908	85,658	96,507	110,134
337,602	340,128	455,637	431,145	399,214	458,404	516,394
21,583	19,722	15,376	14,448	13,931	18,521	18,107
80,845	74,305	60,452	56,306	54,974	77,191	74,150
1,666	1,219	1,292	897	777	1,145	581
8,473	5,951	7,347	5,554	3,649	5,395	3,166
6,774	6,306	8,038	9,078	7,855	7,760	6,004
29,837	28,284	35,622	39,073	34,831	32,777	25,872
100,625	101,138	100,074	105,607	100,315	118,059	120,020
444,501	456,240	487,074	470,549	443,848	525,524	521,126
27,449	21,293	19,117	17,853	15,608	17,463	17,371
122,402	97,388	84,117	81,002	68,075	77,742	74,073
2,890	3,772	3,247	2,867	2,795	4,156	3,991
5,671	7,508	7,255	6,588	6,573	9,894	9,005
....	....	....	....	....	29,434	30,444
....	....	....	....	....	87,153	87,406
19,028	16,589	27,123	37,036	39,875	10,576	9,826
66,640	60,886	87,859	118,371	128,488	46,675	41,035
276,632	263,564	300,036	300,366	287,050	325,265	339,265
1,164,073	1,129,883	1,284,752	1,271,790	1,197,654	1,382,368	1,414,304
102,146	98,388	98,433	98,635	108,330	125,580	116,695
475,706	450,967	446,822	453,494	503,920	588,078	540,157
3,320	3,485	3,053	3,423	2,575	2,954	3,727
659	707	629	1,213	514	611	956
294	411	363	464	548	673	872
159	117	115	206	245	277	317
1,250	1,408	1,433	2,201	2,237	3,949	3,772
204	227	178	165	207	272	708
383,847	367,482	403,496	405,254	401,661	458,693	465,039
1,639,779	1,580,850	1,731,573	1,725,284	1,701,574	1,970,447	1,954,461
818	825	744	1,418	759	888	1,272

TABLE

Detailed Statement of the Quantity (in Pounds) and their

Bombay Island. (Twelve months

Description of Goods.		1907-08.	1908-09.	1909-10.
Grey and Bleached Goods—				
Chadars	Pounds ..	11,128	9,395	11,025
	Yards ..	31,953	27,556	34,777
Dhutis	Pounds ..	14,287	11,770	11,291
	Yards ..	69,743	57,751	56,700
Drills and Jeans	Pounds ..	2,668	2,703	2,835
	Yards ..	9,774	10,509	10,469
Cambrics and Lawns ..	Pounds ..	337	273	375
	Yards ..	2,212	1,859	2,508
Printers . ..	Pounds ..	196	79	56
	Yards ..	985	408	310
Shirtings and Longcloths ..	Pounds ..	35,290	34,004	39,100
	Yards ..	159,414	151,290	173,587
T-cloth, Domestics and Sheetings.	Pounds ..	18,363	19,355	21,721
	Yards ..	89,110	93,689	102,004
Tent Cloth	Pounds .	1,024	1,004	741
	Yards ..	2,056	2,023	1,520
Khadi, Dungree or Khaddar ..	Pounds ..	....	....	....
	Yards ..	....	....	....
Other Sorts	Pounds ..	942	1,023	1,042
	Yards ..	4,364	4,671	4,859
Total ..	Pounds ..	84,234	79,698	89,086
	Yards ..	369,616	349,707	386,736
Coloured Piece-goods ..	Pounds ..	24,048	25,834	35,279
	Yards ..	102,201	105,932	145,489
Grey and Coloured Goods other than Piece-goods.	Pounds ..	1,569	1,339	1,424
	Dozens ..	396	327	344
Hosiery	Pounds ..	498	382	417
	Dozens ..	271	241	257
Miscellaneous	Pounds ..	74	22	12
Cotton Goods mixed with Silk or Wool.	Pounds ..	....	....	....
TOTAL, BOMBAY ISLAND ..	Pounds ..	110,423	107,275	126,218
	Yards ..	471,817	455,639	532,225
	Dozens ..	666	568	602

No. 4

Equivalent in Yards, and Description of Woven Goods Produced

April to March) 000's *omitted*

1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
11,603	13,050	13,873	12,436	10,148	11,861
33,640	39,831	39,726	35,062	28,819	33,336
10,697	11,574	11,515	12,049	10,354	13,874
52,385	54,207	54,710	56,703	46,726	61,727
3,413	3,052	3,779	3,872	4,671	7,623
12,566	14,109	14,865	14,838	17,567	29,660
357	632	854	516	394	488
2,479	4,252	5,951	3,636	2,831	3,476
31	17	24	51	14	17
157	78	123	278	79	116
43,469	47,973	43,488	42,070	46,220	62,770
195,809	210,009	198,955	189,617	201,048	269,383
21,064	20,108	19,864	16,927	17,670	24,154
98,545	96,057	92,935	78,322	84,275	108,768
643	797	795	714	1,534	2,782
1,343	1,631	1,684	1,535	3,103	5,642
....	....	....	....	....	....
....	....	....	....	....	....
1,291	1,638	1,418	1,591	1,577	1,721
5,752	7,472	6,792	7,941	7,418	7,773
92,567	99,440	95,609	90,227	92,581	125,289
402,676	436,646	415,732	388,834	391,867	519,881
38,565	43,150	51,820	46,451	39,311	56,838
160,549	185,805	226,370	203,531	170,456	251,385
1,252	1,189	1,209	1,582	1,146	1,834
366	308	246	478	348	478
400	305	255	231	123	177
248	191	181	179	104	142
19	11	94	79	202	352
....	....	....	....	....	....
132,803	144,095	148,987	138,570	133,363	184,490
563,225	622,451	642,102	592,365	562,323	771,266
614	499	427	657	452	620

TABLE

Description of Goods.		1916-17.	1917-18.	1918-19.
Grey and Bleached Goods—				
Chadars	Pounds ..	11,103	10,267	5,501
	Yards ..	31,655	27,816	14,820
Dhutis	Pounds ..	10,847	13,512	17,283
	Yards ..	48,341	65,429	88,605
Drills and Jeans	Pounds ..	9,502	14,603	8,888
	Yards ..	36,452	55,596	33,292
Cambrics and Lawns ..	Pounds ..	585	800	497
	Yards ..	4,074	5,269	3,100
Printers	Pounds ..	24	12	57
	Yards ..	122	61	314
Shirtings and Longcloths ..	Pounds ..	52,334	68,703	49,057
	Yards ..	236,283	297,201	233,227
T-cloths, Domestics and Sheetings.	Pounds ..	32,898	19,972	12,873
	Yards ..	144,514	93,344	64,672
Tent Cloth	Pounds ..	3,905	4,057	11,983
	Yards ..	7,189	8,820	21,026
Khadi, Dungri or Khaddar ..	Pounds ..	....	....	....
	Yards ..	....	....	....
Other Sorts	Pounds ..	1,647	2,553	4,974
	Yards ..	6,662	9,644	12,669
Total ..	Pounds ..	122,846	130,139	112,014
	Yards ..	515,292	563,180	471,814
Coloured Piece-goods ..	Pounds ..	66,672	79,395	61,043
	Yards ..	314,893	369,958	286,090
Grey and Coloured Goods other than Piece-goods.	Pounds ..	2,483	2,950	3,113
	Dozens ..	532	581	616
Hosiery	Pounds ..	160	171	127
	Dozens ..	143	140	98
Miscellaneous	Pounds ..	594	1,029	1,023
Cotton Goods mixed with Silk or Wool.	Pounds ..	15	96	113
TOTAL, BOMBAY ISLAND ..	Pounds ..	192,771	213,780	177,433
	Yards ..	830,185	933,138	757,904
	Dozens ..	675	721	714

No. 4—contd

1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.
10,416	8,769	9,713	8,315	9,050	9,847	10,408
29,010	25,102	28,248	25,239	24,818	25,734	26,795
15,006	15,072	23,916	20,434	19,446	21,116	21,855
78,919	77,547	121,793	102,025	97,624	110,997	115,412
13,118	11,435	8,383	7,302	7,771	11,312	9,018
50,170	46,034	35,504	31,523	33,294	49,907	38,408
589	404	686	332	273	447	238
3,897	2,470	4,448	2,186	1,560	2,443	1,449
83	70	302	306	65	33	238
449	376	1,479	1,074	280	165	1,042
56,574	58,113	69,216	63,537	61,959	71,845	68,865
255,028	270,724	311,600	289,340	278,940	326,482	306,776
17,750	13,924	11,308	9,743	8,358	9,692	8,019
82,792	66,848	53,722	48,427	39,457	45,034	36,195
1,541	1,479	1,099	804	561	931	979
2,745	2,924	2,499	1,924	1,488	2,261	2,205
....	....	....	....	....	10,804	9,724
....	....	....	....	....	30,574	27,514
4,768	3,448	8,659	14,860	15,189	2,795	2,667
14,827	12,313	26,633	44,980	45,897	11,549	10,302
120,744	112,714	133,372	125,693	122,672	138,825	131,996
518,436	504,339	585,926	547,318	522,859	605,145	566,097
71,289	69,395	70,853	66,771	68,723	78,162	63,430
344,856	332,168	336,001	322,966	333,024	380,883	305,744
2,358	2,290	1,968	2,171	1,585	1,851	2,409
436	503	420	487	340	429	721
124	127	127	110	96	91	76
103	94	91	96	81	83	72
839	962	1,057	1,299	990	1,348	1,281
58	113	64	99	130	115	468
195,412	185,601	207,381	196,145	194,206	220,392	199,659
863,292	836,507	921,927	870,285	855,883	986,028	871,841
588	597	511	584	431	512	703

TABLE

Statement showing the production of Cloth (in Yards)

(000's

	1907-08.	1908-09.	1909-10
Bombay Presidency	677,827	678,847	791,254
Bombay Island	471,817	455,639	532,225
Ahmedabad	160,657	170,454	196,809
Madras	24,852	24,622	23,926
Bengal	7,911	16,597	14,170
United Provinces	....	....	....
*Ajmer-Merwara	34,402	36,210	40,761
Punjab	1,269	1,240	807
†Delhi	....	....	....
Central Provinces and Berar	31,332	35,036	39,086
Indian States	30,243	31,328	53,806
Total ..	808,426	824,489	963,869

	1916-17.	1917-18.	1918-19.
Bombay Presidency	1,318,810	1,361,081	1,107,422
Bombay Island	830,185	933,188	757,904
Ahmedabad	392,025	313,253	332,157
Madras	38,221	38,337	41,519
Bengal	21,414	25,775	26,713
United Provinces	40,560	37,080	29,359
*Ajmer-Merwara	6,840	5,151	5,712
Punjab	4,160	2,950	2,311
†Delhi	171	1,108	1,438
Central Provinces and Berar	60,331	58,007	59,281
Indian States	87,625	84,577	86,972
Total ..	1,578,133	1,614,126	1,450,726

Note.—The figures in Black type, *i.e.*, for Bombay Island and Ahmedabad are included in the figures intended to illustrate the progress of weaving in these two centres.

* Prior to 1915-16 figures for Ajmer-Merwara were included in United Provinces figures.

† Prior to 1915-16 Delhi figures were included in the Punjab.

No. 5

of all kinds in British India and Native States

omitted)

1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
860,018	950,404	1,001,865	941,673	926,589	1,201,490
563,225	622,451	642,102	592,365	562,328	771,266
230,742	250,655	270,904	254,174	277,013	332,027
22,719	25,539	30,910	31,787	30,114	36,685
15,548	15,077	20,980	19,361	15,002	14,587
....	....	....	....	....	39,348
39,246	39,507	45,111	45,764	41,912	5,888
1,182	2,063	3,806	3,857	1,913	4,432
....	....	....	....	....	173
42,539	46,370	48,654	51,307	46,363	53,213
61,489	57,191	69,316	70,543	73,814	85,697
1,042,742	1,136,152	1,220,443	1,164,292	1,135,708	1,441,515

1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.
1,352,606	1,304,807	1,455,312	1,418,169	1,364,540	1,564,001	1,510,386
863,292	836,507	921,927	870,285	855,883	986,028	871,841
369,023	349,429	398,954	417,864	375,436	446,883	498,243
46,414	39,956	35,609	49,524	55,147	56,751	54,057
27,872	23,843	22,396	17,912	21,644	24,698	36,966
35,030	36,115	39,865	44,754	45,702	55,617	64,705
5,275	5,786	7,284	7,302	7,798	8,771	12,780
1,247	633	568	393	1,646	1,817	3,989
2,049	2,573	3,175	7,977	10,297	14,511	19,628
63,957	59,776	61,632	60,837	57,017	72,630	71,270
105,330	107,363	105,082	118,416	137,788	170,752	180,079
1,630,779	1,580,850	1,731,573	1,725,284	1,701,574	1,970,447	1,954,461

shown against Bombay Presidency. The figures of Bombay Island and Ahmedabad are specially

TABLE

Statement showing the Quantity (in

(000's

	1907-08.	1908-09.	1909-10.
British India—			
1 to 10	146,008	143,592	128,941
11 to 20	325,328	341,176	332,751
21 to 30	117,793	120,000	112,522
31 to 40	21,710	20,394	15,575
Above 40	2,706	4,683	3,564
Wastes	226	41	70
Total ..	613,772	629,131	593,424
Native States—			
1 to 10	3,184	4,373	6,490
11 to 20	15,587	17,586	20,720
21 to 30	5,451	5,425	6,664
31 to 40	300	300	249
Above 40	1	14	35
Wastes	....	....	....
Total ..	24,523	27,699	34,158
Grand Total, British India and States—			
1 to 10	149,192	147,965	135,431
11 to 20	340,916	359,262	353,471
21 to 30	123,244	125,425	119,186
31 to 40	22,010	20,694	15,825
Above 40	2,707	4,697	3,599
Wastes	226	41	70
Total ..	638,295	656,830	627,582

No. 6

Pounds) of Yard Spun in India

omitted)

1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
111,185	112,108	132,432	125,722	125,503	139,726
316,913	315,435	346,054	339,958	322,113	362,372
128,992	140,452	149,355	156,837	146,454	160,425
17,674	19,940	19,144	18,971	18,199	18,021
1,838	2,199	2,935	2,686	2,213	1,960
395	704	661	679	475	651
576,996	590,842	650,582	644,853	614,957	683,155
4,567	4,072	4,570	5,062	5,506	5,581
19,526	20,896	23,339	21,951	21,213	23,816
8,474	8,880	9,481	10,158	9,786	9,319
360	341	497	741	502	652
3	....	2	12	19	3
....	....	....	....	....	....
32,931	34,189	37,890	37,924	37,028	39,270
115,752	116,179	137,002	130,784	131,010	145,807
336,439	336,331	369,393	361,909	343,326	386,188
137,466	149,332	158,836	166,995	156,240	169,744
18,035	20,281	19,642	19,712	8,701	18,573
1,841	2,199	2,933	2,699	2,233	1,963
395	704	661	679	475	651
609,927	625,030	688,473	682,777	651,985	722,425

TABLE

—	1916-17.	1917-18.	1918-19.
British India—			
1 to 10	107,143	98,391	84,663
11 to 20	347,707	325,045	292,365
21 to 30	161,469	173,794	180,216
31 to 40	23,260	23,600	18,583
Above 40	4,461	5,748	4,503
Wastes	346	223	231
Total ..	644,447	626,801	580,561
Native States—			
1 to 10	3,539	2,061	2,657
11 to 20	22,166	20,957	22,175
21 to 30	10,019	9,874	8,989
31 to 40	821	789	606
Above 40	116	94	53
Wastes	....	....	....
Total ..	36,660	33,775	34,480
Grand Total, British India and States—			
1 to 10	110,682	100,452	87,320
11 to 20	369,933	346,002	314,541
21 to 30	171,488	183,667	189,204
31 to 40	24,082	24,389	19,189
Above 40	4,577	5,842	4,555
Wastes	346	223	231
Total ..	681,107	660,576	615,040

No. 6—contd.

1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.
81,044	81,180	94,251	97,603	80,123	87,505	89,339
321,738	334,403	345,887	348,815	299,062	343,396	316,531
174,240	188,824	193,330	197,325	168,219	205,347	191,063
16,535	14,808	16,707	15,836	19,143	18,774	18,498
3,542	2,067	2,364	2,195	3,255	5,809	5,816
256	314	472	162	324	330	1,319
507,355	621,655	653,011	661,936	570,125	661,162	622,566
3,143	2,763	4,816	5,375	4,721	5,291	6,385
25,202	25,125	25,565	26,802	28,005	33,619	32,493
9,417	10,262	9,832	11,634	13,758	18,465	22,725
545	156	194	94	524	593	1,239
18	....	26	....	6	14	18
19	41	20	52	190	247	196
38,405	38,347	40,452	43,958	47,204	58,228	63,056
84,168	83,943	99,067	102,978	84,843	92,796	95,724
347,000	359,527	371,452	375,617	327,067	377,015	349,025
183,657	199,086	203,162	208,959	181,077	223,812	213,788
17,080	15,024	16,900	15,930	19,667	19,368	19,787
3,560	2,067	2,389	2,195	3,261	5,822	5,834
275	355	492	214	514	578	1,515
635,760	660,003	693,463	705,894	617,329	719,390	685,623

TABLE

Statement showing the Quantity (in lbs.) of Yarn

(000's

Countries.	1907-08.	1908-09.	1909-10.
Bombay Presidency	457,146	469,194	430,484
Bombay Island	353,152	357,646	330,079
Ahmedabad	58,076	64,505	61,316
Madras	36,936	39,638	40,596
Bengal	41,818	39,147	34,419
United Provinces	37,142	38,871	39,801
*Ajmer-Merwara	....	....	....
Punjab	12,873	13,205	10,937
†Delhi	....	....	....
Central Provinces and Berar	27,858	29,773	30,186
‡Burma	....	....	....
Total for British India ..	613,772	629,886	593,424
Native States	24,523	27,699	34,158
Grand Total ..	638,295	657,585	627,582

Countries.	1916-17.	1917-18.	1918-19.
Bombay Presidency	482,148	468,972	427,638
Bombay Island	355,899	357,289	306,190
Ahmedabad	80,269	64,866	78,224
Madras	44,187	43,093	42,787
Bengal	28,568	32,882	32,507
United Provinces	44,177	39,473	34,391
*Ajmer-Merwara	2,576	1,817	2,057
Punjab	3,750	3,909	3,920
†Delhi	2,703	3,188	2,981
Central Provinces and Berar	34,338	33,466	34,280
‡Burma	....	....	....
Total for British India ..	644,447	626,801	580,561
Native States	36,660	33,775	34,480
Grand Total ..	681,107	660,576	615,041

Note.—The figures in black type, *i.e.*, for Bombay Island and Ahmedabad, are included in the intended to illustrate the progress of spinning in these centres.

*Prior to 1915-16 figures for Ajmer-Merwara were included in United Provinces figures.

† Prior to 1915-16 Delhi figures were included in the Punjab.

‡ Figures for Burma were available only from 1923-24.

No. 7

of all Counts Spun in various Centres in India

omitted)

1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.
424,903	441,521	485,567	479,633	448,556	509,771
320,427	327,641	363,681	355,025	322,153	376,743
60,819	67,585	63,810	68,953	72,488	82,921
41,071	42,838	44,974	44,674	43,032	44,303
38,279	32,625	37,357	33,220	31,709	32,096
36,205	39,487	43,765	44,469	50,281	48,445
....	....	....	....	....	3,554
8,224	6,631	5,339	6,275	6,814	4,740
....	....	....	....	....	2,802
28,314	27,738	33,582	36,533	34,565	37,443
....	....	....	....	....	....
576,996	590,842	650,582	644,853	614,957	683,155
32,931	34,189	37,890	37,924	37,028	39,270
609,927	625,030	688,473	682,777	651,985	722,425

1919-20.	1920-21.	1921-22.	1922-23.	1923-24.	1924-25.	1925-26.
439,800	469,945	492,634	497,352	398,552	474,202	423,451
317,719	342,456	348,695	348,099	269,507	327,543	261,963
78,544	76,305	85,598	90,083	75,602	92,007	102,741
44,346	41,241	44,388	53,425	50,939	54,221	57,837
35,229	33,392	33,626	28,938	26,105	25,675	24,123
35,181	37,060	40,477	41,470	51,993	56,323	60,294
1,965	2,031	2,544	2,352	2,981	3,260	4,545
3,359	2,780	3,564	2,718	1,264	1,761	2,945
3,287	3,937	2,960	3,804	5,189	6,448	8,061
34,188	31,270	32,818	31,877	32,258	38,116	40,428
....	....	....	....	843	1,067	1,688
597,355	621,655	653,011	661,936	570,125	661,162	623,371
38,405	38,347	40,452	43,958	47,204	58,228	63,056
635,760	660,003	693,463	705,894	617,329	719,390	686,427

figures shown against Bombay Presidency. The figures of Bombay Island and Ahmedabad are specially

TABLE No. 8

THE BOMBAY COTTON MILL INDUSTRY

Year.	Capital including Reserves.	Capital including reserve and debentures.	Block original cost.	Block after deduction of depreciation.	Net Profit* Loss.
	Rs.	Rs.	Rs.	Rs.	Rs.
1922	30,40,74,086	32,61,24,086	42,94,89,978	29,54,90,301	3,87,51,591
1923	30,00,01,855	33,43,10,788	46,54,95,302	29,52,44,688	-1,30,43,977
1924	30,78,82,434	33,91,35,234	46,76,48,463	31,56,45,595	-2,27,15,893

Year.	Dividends to shareholders.	Depreciation.	Wages including Bonus.	Bonus.	Number of mills.	Agent's commission.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1922	2,94,44,344	1,38,41,139	7,65,20,534	47,59,950	77	....
1923	93,69,467	1,81,82,221	6,40,03,663	....	82	32,04,460
1924	60,84,686	1,83,54,013	6,12,43,056	....	79	17,82,674

TABLE 9

TABLE A

CLOTH.) *Stocks in Bales*

From mills submitting returns. Approximation of stocks for all Bombay Mills.

Date of Returns.	Number of mills which submitted returns.	Number of looms represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Sold but delivery not taken.	Unsold.	Total uncleared.
1922								
December 31st ..	47	42,384	31,653	60,038	91,691	44,000	84,000	128,000
1923								
March 31st ..	54	46,763	36,731	83,328	120,059	46,000	104,500	150,500
May 31st.. ..	57	50,046	30,680	105,323	136,003	36,000	124,000	160,000
June 30th ..	54	48,550	26,040	104,659	130,699	31,500	128,000	159,500
July 31st ..	59	53,566	29,792	117,699	147,491	33,000	129,000	162,000
August 31st ..	50	46,200	28,576	111,471	140,047	36,000	141,000	177,000
September 30th ..	50	45,782	40,176	93,861	134,037	51,000	121,000	172,000
October 31st ..	54	49,001	37,010	84,265	121,275	44,000	101,000	145,000
November 30th ..	55	50,154	38,342	71,726	110,068	44,500	84,500	129,000
December 31st ..	55	51,974	23,748	86,623	110,371	27,000	98,000	125,000

TABLE B

(YARN.) *Stocks in Bales*

From mills submitting returns. Approximation of stocks for all Bombay Mills.

Date of Returns.	Number of mills which submitted returns.	Number of spindles represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Sold but delivery not taken.	Unsold.	Total uncleared.
1922								
December 31st ..	47	2,012,727	14,646	14,210	28,856	21,400	20,800	42,200
1923								
March 31st ..	54	2,137,111	20,602	27,565	48,167	28,400	38,000	66,400
May 31st ..	57	2,354,245	16,392	39,238	55,630	21,000	49,000	70,000
June 30th ..	54	2,183,830	19,038	34,822	53,860	25,500	47,500	73,000
July 31st ..	59	2,599,981	16,834	38,319	55,153	19,000	43,000	62,000
August 31st ..	51	2,147,489	12,147	26,146	38,293	17,000	36,000	53,000
September 30th ..	50	2,099,475	20,880	19,963	40,843	29,500	28,000	57,500
October 31st ..	54	2,463,353	19,522	16,402	35,924	23,500	19,500	43,000
November 30th ..	54	2,371,887	24,381	12,867	37,248	29,000	17,000	46,000
December 31st ..	56	2,394,583	17,076	24,358	41,453	21,000	29,000	50,000

TABLE 10

TABLE A

(CLOTH.) *Stocks in Bales*

From mills submitting returns. Approximation of stocks for all mills in Bombay Island.

Date of Returns.	Number of mills which submitted returns.	Number of looms represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Sold but delivery not taken.	Unsold.	Total uncleared.
1924								
January 31st ..	55	50,070	24,442	94,505	118,977	30,000	115,000	145,000
February 29th ..	63	56,965	28,342	78,888	107,230	30,000	84,000	114,000
March 31st ..	58	51,436	26,989	53,683	80,672	32,000	63,000	95,000
April 30th ..	53	50,771	27,668	49,563	77,231	33,000	59,000	92,000
May 31st ..	59	52,139	28,366	62,999	91,365	33,000	74,000	107,000
June 30th	52	45,710	34,666	47,615	82,281	46,000	63,000	109,000
July 31st ..	67	57,767	47,447	59,483	106,930	50,000	62,000	112,000
August 31st ..	64	56,012	51,340	60,920	112,260	55,000	66,000	121,000
September 30th ..	68	58,394	46,681	67,007	113,688	49,000	70,000	119,000
October 31st	60	55,559	41,197	59,405	100,602	45,000	65,000	110,000
November 30th ..	59	56,675	33,328	59,653	82,981	37,000	66,000	103,000
December 31st ..	61	57,879	34,597	70,947	105,544	36,000	75,000	111,000

TABLE B

(YARN.) *Stocks in Bales*

From mills submitting returns. Approximation of stocks for all mills in Bombay Island.

Date of Returns.	Number of mills which submitted returns.	Number of spindles represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Sold but delivery not taken.	Unsold.	Total uncleared.
1924								
January 31st ..	56	2,402,944	16,773	32,121	48,894	21,000	41,000	62,000
February 29th ..	72	2,775,890	12,754	22,435	35,189	14,000	25,000	39,000
March 31st ..	66	2,550,321	9,935	13,597	23,532	12,000	16,000	28,000
April 30th ..	58	2,209,565	6,720	14,861	21,581	9,000	21,000	30,000
May 31st ..	66	2,501,231	9,860	11,700	21,560	12,000	14,000	26,000
June 30th ..	57	2,354,499	9,563	12,885	22,448	12,000	17,000	29,000
July 31st ..	70	2,806,242	10,825	18,974	29,799	12,000	21,000	33,000
August 31st ..	68	2,748,501	13,421	23,006	36,427	15,000	25,000	40,000
September 30th ..	69	2,768,024	8,352	25,309	33,661	9,000	28,000	37,000
October 31st ..	61	2,700,686	11,284	18,951	30,235	13,000	21,000	34,000
November 30th ..	58	2,578,887	10,469	16,307	26,776	12,000	19,000	31,000
December 31st ..	71	2,911,982	10,389	24,163	34,552	11,000	25,000	36,000

TABLE 11

TABLE A

Stocks in Bales

(CLOTH.)

From Mills submitting Returns. — Approximation of stocks for all Mills in Bombay City and Island.

Date of Return.	Number of Looms represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Sold but delivery not taken.	Unsold.	Total uncleared.
1925							
January 31st ..	63,385	37,466	76,040	113,486	42,000	85,000	127,000
February 28th ..	60,059	38,433	76,403	114,836	45,000	90,000	135,000
March 31st ..	66,452	42,081	98,147	140,228	45,000	105,000	150,000
April 30th ..	66,066	40,173	99,324	139,497	43,000	107,000	150,000
May 31st ..	67,486	44,803	108,125	152,928	47,000	114,000	161,000
June 30th ..	70,215	44,360	128,923	172,283	55,000	131,000	176,000
July 31st ..	67,886	55,916	120,600	156,516	59,000	126,000	185,000
August 31st ..	67,155	55,337	110,933	166,270	59,000	117,000	176,000
September 30th ..	66,505	52,479	96,655	149,133	56,000	103,000	159,000
October 31st ..	67,963	40,833	65,711	106,533	48,000	69,000	112,000
November 30th ..	68,206	28,445	51,604	80,849	30,300	54,000	84,300
December 31st ..	67,951	21,121	50,838	71,959	22,000	53,000	75,000

TABLE B

Stocks in Bales

(YARN.)

From Mills submitting Returns. — Approximation of stocks for all Mills in Bombay City and Island.

Date of Return.	Number of Spindles represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Sold but delivery not taken.	Unsold.	Total uncleared.
1925							
January 31st ..	2,932,083	10,882	24,027	34,909	13,000	28,000	41,000
February 28th ..	2,665,933	12,831	23,567	36,398	16,000	30,000	46,000
March 31st ..	3,236,125	22,010	24,443	46,453	23,000	26,000	49,000
April 30th ..	3,126,415	17,980	30,078	48,058	20,000	33,000	53,000
May 31st ..	3,177,023	14,520	37,855	52,335	16,000	40,000	56,000
June 30th ..	3,368,155	13,156	44,365	57,481	13,000	45,000	58,000
July 31st ..	3,251,945	19,015	33,410	53,574	20,000	36,000	56,000
August 31st ..	3,149,473	13,112	34,559	46,522	14,000	36,000	50,000
September 30th ..	3,216,417	13,418	29,949	43,367	14,000	32,000	46,000
October 31st ..	3,194,319	7,671	21,782	29,453	8,000	23,000	31,000
November 30th ..	3,206,333	5,110	15,267	20,377	5,000	16,000	21,000
December 31st ..	3,215,461	7,059	13,666	20,725	8,000	14,000	22,000

TABLE 12

TABLE A

Stocks in Bales

(CLOTH.)

Date of Return.	From Mills submitting Returns. Number of Looms represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Approximation for all Mills in Bombay City and Island. Sold but delivery not taken.	Unsold.	Total uncleared.
1926							
January 31st ..	67,356	23,904	53,954	77,858	25,000	58,000	83,000
February 28th ..	66,446	24,576	47,483	72,059	27,000	52,000	79,000
March 31st ..	69,366	24,528	57,969	82,497	26,000	61,000	87,000
April 30th ..	68,394	29,531	64,718	94,249	31,000	68,000	99,000
May 31st ..	70,845	28,237	78,296	106,533	29,000	80,000	109,000
June 30th ..	72,266	35,644	90,858	126,502	36,000	91,000	127,000
July, 31st ..	72,266	45,795	98,300	144,095	46,000	98,000	144,000
August 31st ..	70,266	56,087	98,689	154,776	58,000	101,000	159,000

TABLE B

Stocks in Bales

(YARN.)

Date of Return.	From Mills submitting Returns. Number of Spindles represented.	Sold but delivery not taken.	Unsold.	Total uncleared.	Approximation for all Mills in Bombay City and Island. Sold but delivery not taken.	Unsold.	Total uncleared.
1926							
January 31st ..	3,285,665	10,283	16,019	26,302	11,000	17,000	28,000
February 28th ..	3,184,845	12,058	22,778	34,836	13,000	25,000	38,000
March 31st ..	3,256,255	11,936	29,897	41,833	13,000	32,000	45,000
April 30th ..	3,286,847	10,271	37,176	47,447	11,000	39,000	50,000
May 31st ..	3,387,625	12,591	32,411	45,002	13,000	33,000	46,000
June 30th ..	3,456,233	17,477	30,296	47,773	18,000	33,000	48,000
July 31st ..	3,456,233	19,467	22,019	41,666	20,000	22,000	42,000
August 31st ..	3,377,103	16,841	25,142	41,983	17,000	26,000	43,000

TABLE 13

Approximate yarn sales by Bombay Mills in India (in Millions of lbs.)

Year ending 31st March.	1908.	1909.	1910.	1911.	1912.	1913.	1914.	1915.	1916.
Production of yarn in Bombay ..	353	358	330	320	328	364	355	322	377
Exports of yarn to foreign countries from Bombay ..	208	225	212	174	142	192	186	128	152
Weight of cloth produced	110	107	126	133	144	149	139	133	184
Weight of yarn used in the manufacture of cloth (1) ..	100	97	113	120	130	135	125	120	166
Quantity of Bombay spun yarn put on the Indian Market (1A) ..	45	36	51	26	56	37	41	74	59
Net imports of foreign yarn into India (2) .	36	41	39	32	41	49	43	42	39

Year ending 31st March.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.
Production of yarn in Bombay	356	357	306	318	342	349	348	270	328
Exports of yarn to foreign countries from Bombay ..	166	117	63	137	78	78	56	38	36
Weight of cloth produced	193	214	177	195	186	207	196	194	220
Weight of yarn used in the manufacture of cloth (1) ..	173	193	159	176	167	186	176	175	198
Quantity of Bombay spun yarn put on the Indian Market (1A)	17	47	84	5	97	85	116	57	96
Net imports of foreign yarn into India (2) .	28	18	36	12	47	56	58	43	55

(1) Allowing 15 per cent. for size and 5 per cent. for Waste.

(1A) Is equal to production *minus* (exports *plus* yarn used in production of cloth).

(2) Total Imports *minus* Re-exports.

TABLE 14

Approximate cloth sales by Bombay Mills in India (in Millions of yards)

Year ending 31st March.	1908.	1909.	1910.	1911.	1912.	1913.	1914.	1915.	1916.
Production of Bombay mills	472	456	532	563	622	642	592	562	771
Exports of Indian piece-goods from Bombay ..	52	56	69	75	57	60	61	45	84
Mill-made piece-goods sold in India by Bombay Mills (*a*) ..	420	400	463	488	565	582	531	517	687
Total net imports of foreign piece-goods into India (*b*) ..	2,468	1,943	2,141	2,241	2,362	2,919	3,099	2,384	2,077

Year ending 31st March.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.
Production of Bombay mills	830	933	758	863	837	922	870	856	986
Exports of Indian piece-goods from Bombay ..	214	159	118	161	115	127	121	126	143
Mill-made piece-goods sold in India by Bombay Mills (*a*) ..	616	774	640	702	722	795	749	730	843
Total net imports of foreign piece-goods into India (*b*) ..	1,794	1,439	986	975	1,431	1,006	1,503	1,406	1,746

(*a*) Production *minus* Exports.

(*b*) Imports *minus* Re-exports.

TABLE 15

Approximate yarn sales by All-India Mills (in Millions of lbs.)

Year ending 31st March.	1908.	1909.	1910.	1911.	1912.	1913.	1914.	1915.	1916.
Production of yarn by Indian mills ..	638	657	627	610	625	688	683	652	722
Exports of yarn from India	216	233	227	183	151	204	198	134	160
Weight of cloth produced in Indian Mills	189	192	229	246	267	285	274	277	352
Weight of yarn used on the manufacture of cloth* ..	170	173	206	221	240	257	247	249	317
Quantity of Indian mill-made yarn put up in the Indian market ..	252	239	194	206	234	217	238	269	245
Net imports of foreign yarn into India†.	36	41	39	32	41	49	43	42	39

Year ending 31st March.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.	1926.
Production of yarn by Indian mills ..	681	661	615	635	660	693	705	617	719	686
Exports of yarn from India ..	169	122	64	152	83	81	57	39	37	32
Weight of cloth produced in Indian Mills.	377	381	350	384	367	403	405	402	459	..
Weight of yarn used on the manufacture of cloth* ..	339	343	315	346	330	363	365	362	413	415
Quantity of Indian mill-made yarn put up in the Indian market ..	173	196	236	137	247	249	283	216	269	..
Net imports of foreign yarn into India†.	28	18	36	12	47	56	58	43	55	51

* See footnote (1) of Table 13.

† See footnote (2) of Table 13.

TABLE 16

Approximate cloth sales in India by Indian Mills (in Millions of yards)

Year ending 31st March.	1908.	1909.	1910.	1911.	1912.	1913.	1914.	1915.	1916.
Production of Indian Mills	808	824	964	1,045	1,136	1,220	1,164	1,136	1,441
Exports of Indian piece-goods from India	74	78	94	100	81	86	89	67	113
Indian mill-made piece-goods put on the Indian market..	734	746	870	943	1,055	1,134	1,075	•1,069	1,328
Total net imports of foreign piece-goods .	2,469	1,943	2,141	2,240	2,363	2,919	3,098	2,384	2,077

Year ending 31st March.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.
Production of Indian Mills	1,578	1,614	1,451	1,640	1,381	1,752	1,725	1,701	1,970
Exports of Indian piece-goods from India	244	189	149	196	146	161	157	165	181
Indian mill-made piece-goods put on the Indian market..	1,334	1,425	1,302	1,444	1,435	1,591	1,568	1,536	1,789
Total net imports of foreign piece-goods .	1,795	1,438	983	975	1,430	1,006	1,503	1,406	1,746

TABLE 17

For purposes of comparison, the following figures are appended showing the Rates of Exchange on Hongkong and the Prices of Silver ruling at the end of March in each of the following years :—

	Price of Silver per 100 Tolas.		Exchange on Hongkong.
	Rs.	a.	Rs.
1894	84	11—7/22	175—1/22
1895	91	12	188—11/26
1896	92	9—11/12	186—6/13
1897	83	9—1/3	163—89/100
1898	71	3	141—1/4
1899	73	15—15/23	149—3/23
1900	73	3—3/42	147
1901	75	4—9/3	151—17/50
1902	67	1—3/7	138—8/23
1903	60	4—7/823	119½
1904	70	10—6/	137—8/11
1905	72	1	139—11/26
1906	79	10—3/8	155—11/36
1907	83	14—7/11	162—1/16
1908	70	1—2/23	142—19/30
1909	62	8¼	131—2/13
1910	68	10—7/22	130—13/24
1911	70	13—8/23	134½
1912	78	9—7/23	143—21/26
1913	75	8	143¾
1914	77	11/16	142¾
1915	70	⅜	134
1916	82	12	148
1917	87	15	175¼
1918	103	6	218
1919	116		215
1920	111		23
1921	88	4	188
1922	90	12	187
1923	83	1	179
1924	81	14	171
1925	72	3	153½

TABLE 18

Average Exchange Rates, Banks Selling Telegraphic Transfers, Month by Month From April 1919 to October 1925.

1919.

Month.	Average Exchange.	Month.	Average Exchange.
April ..	1s. 5 31/32d.	August ..	1s. 8 31/32d.
May ..	1s. 6 31/32d.	September ..	1s. 11/19/64d.
June ..	1s. 7 31/32d.	October ..	2s. 1/32d.
July ..	1s. 7 31/32d.	November ..	2s. 1¼d.
		December ..	2s. 3 5/8d.

1920.

January ..	2s. 4½d.	July ..	1s. 10 1/16d.
February ..	2s. 8¾d.	August ..	1s. 10 7/16d.
March ..	2s. 5 3/16d.	September ..	1s. 10 1/8d.
April ..	2s. 4d.	October ..	1s. 7 7/8d.
May ..	2s. 2 15/16d.	November ..	1s. 7 5/16d.
June ..	1s. 11¼d.	December ..	1s. 5 9/16d.

1921.

January ..	1s. 5 5/16d.	July ..	1s. 3½d.
February ..	1s. 3 29/32d.	August ..	1s. 4 3/16d.
March ..	1s. 3 5/16d.	September ..	1s. 5 47/64d.
April ..	1s. 3 5/8d.	October ..	1s. 4 51/64d.
May ..	1s. 3 5/16d.	November ..	1s. 4 1/8d.
June ..	1s. 3 27/64d.	December ..	1s. 4 1/62d.

1922.

January ..	1s. 3 53/64d.	July ..	1s. 3 21/32d.
February ..	1s. 3 29/64d.	August ..	1s. 3 37/64d.
March ..	1s. 3 9/32d.	September ..	1s. 3 9/16d.
April ..	1s. 3 5/32d.	October ..	1s. 3 5/8d.
May ..	1s. 3 35/64d.	November ..	1s. 3 13/16d.
June ..	1s. 3 35/64d.	December ..	1s. 3 63/64d.

1923.

January ..	1s. 4 37/64d.	July ..	1s. 4 5/64d.
February ..	1s. 4 7/32d.	August ..	1s. 3 63/64d.
March ..	1s. 4 7/64d.	September ..	1s. 4 1/8d.
April ..	1s. 4 1/8d.	October ..	1s. 4 31/64d.
May ..	1s. 4 3/32d.	November ..	1s. 4 59/64d.
June ..	1s. 4 3/32d.	December ..	1s. 5 5/64d.

1924.

January ..	1s. 5 7/64d.	July ..	1s. 5 7/32d.
February ..	1s. 4 53/64d.	August ..	1s. 5¼d.
March ..	1s. 4 11/16d.	September ..	1s. 5 31/64d.
April ..	1s. 4 51/64d.	October ..	1s. 6d.
May ..	1s. 4 51/64d.	November ..	1s. 5 27/32d.
June ..	1s. 4 59/64d.	December ..	1s. 6 3/64d.

1925.

January ..	1s. 5 31/32d.	June ..	1s. 6d.
February ..	1s. 5 31/32d.	July ..	1s. 6 5/64d.
March ..	1s. 5 29/32d.	August ..	1s. 6 3/32d.
April ..	1s. 5 27/32d.	September ..	1s. 6 9/64d.
May ..	1s. 5 15/16d.	October ..	1s. 6 5/32d.

TABLE 19A

JAPAN'S COTTON MILLS, CAPITALS, SPINDLES AND LOOMS

Years	Companies	Mills	Capital		Reserve Funds
			Authorised	Paid-up	
			Yen.	Yen.	Yen.
1903	51	..	38,555,400	34,029,216	5,123,892
1904	49	..	37,125,400	33,486,730	6,888,594
1905	49	..	40,082,350	33,563,700	9,531,622
1906	47	..	45,403,350	38,433,350	15,386,948
1907	42	118	90,036,300	57,531,125	20,966,234
1908	36	125	85,511,300	58,397,385	22,189,614
1909	31	134	75,871,800	64,501,000	22,784,470
1910	36	136	94,271,300	67,516,013	24,658,967
1911	34	139	89,160,150	64,374,164	24,788,872
1912	41	147	105,136,400	72,366,495	28,538,314
1913	44	152	113,036,401	86,444,059	33,803,119
1914	42	157	109,676,400	85,820,424	36,639,349
1915	41	161	110,176,400	86,011,677	38,663,064
1916	40	161	137,290,150	99,641,818	48,952,331
1917	43	170	162,830,150	115,623,020	70,037,275
1918	43	177	192,877,650	138,494,595	92,426,047
1919	54	190	221,927,650	165,758,695	139,073,869
1920	56	198	394,327,650	276,535,896	165,697,053
1921	61	217	429,577,650	295,648,358	182,040,774
1922	64	235	462,107,650	317,148,075	202,774,376
1923	60	228	463,977,650	323,787,485	211,298,943
1924	56	232	512,362,500	349,820,568	212,871,930
1925	54	230	509,213,000	351,805,000	221,778,000

Years	Number of Spindles			Doubling Spindles	Looms
	Ring	Mule	Total		
1903	1,295,086	86,220	1,381,306	126,976	5,043
1904	1,260,365	85,220	1,345,585	121,076	5,085
1905	1,343,534	83,060	1,426,594	134,840	8,140
1906	1,395,013	77,240	1,472,253	136,866	9,601
1907	1,492,032	48,420	1,540,452	154,789	9,462
1908	1,743,921	51,958	1,795,879	177,860	11,146
1909	1,903,854	51,038	1,954,892	227,574	13,813
1910	2,044,284	55,480	2,099,764	282,186	17,702
1911	2,117,756	53,040	2,170,796	286,410	20,431
1912	2,125,000	51,748	2,176,748	317,324	21,898
1913	2,365,094	49,405	2,414,499	320,912	24,224
1914	2,606,004	51,170	2,657,174	348,766	25,443
1915	2,754,124	53,390	2,807,514	355,318	30,068
1916	2,825,944	49,960	2,875,904	370,681	31,295
1917	3,008,568	51,910	3,060,478	383,458	36,181
1918	3,175,768	51,910	3,227,678	384,872	40,391
1919	3,436,032	52,330	3,488,262	410,690	44,401
1920	3,761,250	52,330	3,813,580	466,460	50,588
1921	4,116,616	44,510	4,161,126	538,384	54,994
1922	4,472,112	45,500	4,517,612	602,032	60,765
1923	4,183,596	14,370	4,197,966	501,031	61,421
1924	4,845,082	25,150	4,870,232	676,995	64,225
1925	5,152,000	34,000	5,186,000	752,000	68,160

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TABLE 19B

JAPAN'S COTTON YARN PRODUCTION, OPERATIVES AND WAGES

Years.	Average working spindles.	Production of Cotton Yarn.					
		Coarse Yarn.	Medium Yarn.	Fine Yarn.	Doubling.	Gassed.	Total.
		Bales.	Bales.	Bales.	Bales.	Bales.	Bales.
1903 ..	1,297,966	701,250·5	42,570·5	51·5	37,887·5	19,977·5	801,737·5
1904 ..	1,249,086	610,931·5	33,786·0	106·5	32,266·5	18,122·5	695,213·0
1905 ..	1,329,404	792,439·0	50,104·0	157·0	42,584·0	20,252·5	905,536·5
1906 ..	1,404,714	826,363·0	55,125·0	148·0	43,376·5	20,155·0	945,167·5
1907 ..	1,458,020	859,214·5	53,762·0	....	47,377·5	23,127·5	983,481·5
1908 ..	1,367,631	738,659·0	54,171·0	....	59,555·5	26,185·0	878,570·5
1909 ..	1,569,080	841,778·0	78,975·0	7·0	71,651·0	32,833·5	1,025,244·5
1910 ..	1,741,168	964,675·0	63,637·5	1,814·5	74,434·5	30,217·0	1,134,780·5
1911 ..	1,784,064	934,713·0	82,739·5	4,627·5	74,536·0	32,651·0	1,129,267·0
1912 ..	1,984,191	1,090,172·5	119,893·5	6,722·5	95,683·5	39,737·5	1,352,209·5
1913 ..	2,167,926	1,212,001·5	142,409·0	8,666·5	109,996·0	44,909·0	1,517,982·0
1914 ..	2,369,801	1,350,850·5	149,498·0	7,760·5	119,790·0	33,282·0	1,661,181·0
1915 ..	2,463,376	1,360,259·0	187,761·0	8,096·5	130,536·5	33,611·5	1,720,264·5
1916 ..	2,757,299	1,458,617·0	259,840·0	10,153·5	155,483·5	41,485·0	1,925,579·0
1917 ..	2,850,637	1,421,978·0	287,259·5	7,730·5	164,850·0	42,023·5	1,923,841·5
1918 ..	2,936,495	1,245,723·5	366,868·5	7,427·5	138,286·5	45,560·0	1,803,866·0
1919 ..	3,179,568	1,285,926·0	422,967·5	9,202·0	156,542·5	46,144·5	1,920,782·5
1920 ..	3,191,753	1,222,525·5	401,868·5	7,477·5	146,562·5	38,542·0	1,816,976·0
1921 ..	3,162,353	1,276,000·5	346,148·5	6,199·5	141,136·0	41,265·5	1,811,350·0
1922 ..	3,967,265	1,557,052·0	429,484·5	7,167·5	185,761·5	48,780·5	2,228,246·0
1923 ..	4,079,855	1,484,705·5	449,274·5	10,175·0	177,472·5	49,525·5	2,171,153·0
1924 .	4,115,602	1,320,986·5	499,037·5	13,497·5	184,539·0	54,757·0	2,072,817·5

TABLE 19B—contd.

JAPAN'S COTTON YARN PRODUCTION, OPERATIVES AND WAGES—*contd.*

Years.	Average working spindles.	Daily Operatives in average.			Wages in average.	
		Male.	Female.	Total.	Male.	Female.
					Rin.	Rin.
1903 ..	1,297,966	14,295	59,336	73,631	326	206
1904 ..	1,249,086	11,451	50,220	61,671	336	204
1905 ..	1,329,404	12,812	58,634	71,446	346	213
1906 ..	1,404,714	14,496	61,278	75,774	365	228
1907 ..	1,458,020	15,242	64,377	79,619	393	246
1908 ..	1,367,631	15,049	59,154	74,203	410	250
1909 ..	1,569,080	16,844	66,664	83,508	425	267
1910 ..	1,741,168	18,266	75,614	93,880	434	272
1911 ..	1,784,064	17,628	74,868	92,496	450	288
1912 ..	1,984,191	18,421	80,779	99,200	467	305
1913 ..	2,167,926	19,707	88,038	107,745	485	320
1914 ..	2,369,801	22,163	92,251	114,414	491	319
1915 ..	2,463,376	22,674	92,500	115,174	495	322
1916 ..	2,757,209	23,845	97,279	121,124	500	334
1917 ..	2,850,637	25,518	97,648	123,166	545	371
1918 ..	2,936,495	26,790	95,069	121,859	686	476
1919 ..	3,179,568	30,935	101,399	132,334	1,116	870
1920 ..	3,191,753	33,966	109,782	143,748	1,567	1,196
1921 ..	3,162,353	34,904	105,704	140,608	1,463	1,134
1922 ..	3,967,265	41,009	132,442	173,451	1,544	1,243
1923 ..	4,079,855	38,159	121,811	159,970	1,483	1,180
1924 ..	4,115,692	36,015	117,307	153,322	1,524	1,260

TABLE 19C

JAPAN'S COTTON PIECE-GOODS PRODUCTION, OPERATIVES AND WAGES

(Sub-Work by Spinners Only)

Years.	Average Working Looms.	Production of Cotton Piece-goods.	Yarn Consumed.	Daily Operatives in average.			Wages in average.	
				Male.	Female.	Total.	Male.	Female.
		Yards.	Lbs.				Rin.	Rin.
1903 ..	4,963	76,702,213	20,771,345	657	4,253	4,910	368	235
1904 ..	4,891	80,947,348	22,484,284	662	4,776	5,438	368	229
1905 ..	6,420	114,908,132	36,454,146	989	6,847	7,836	384	255
1906 ..	8,491	137,773,415 (doz.) 32,784	40,702,848	1,248	7,937	9,185	393	259
1907 ..	9,245	135,253,029 (doz.) 102,533	44,262,958	1,525	8,727	10,252	430	277
1908 ..	9,496	147,443,838	47,676,427	1,484	8,683	10,167	448	294
1909 ..	11,585	181,976,972	57,388,586	1,871	11,496	13,367	450	304
1910 ..	14,911	226,313,958	71,197,654	2,486	13,604	16,090	459	305
1911 ..	17,884	289,039,671	82,498,136	2,656	17,133	19,789	471	325
1912 ..	20,208	342,584,684	93,562,721	2,795	18,006	20,801	503	349
1913 ..	23,299	416,725,357	111,159,616	3,298	21,956	25,254	530	363
1914 ..	24,911	454,901,674	123,863,966	3,569	22,459	26,028	555	379
1915 ..	27,687	502,076,621	124,632,631	3,547	22,930	26,477	526	374
1916 ..	30,110	560,181,108	136,413,408	3,737	23,245	26,982	534	407
1917 ..	31,920	594,649,419	142,770,758	4,333	24,434	28,767	583	445
1918 ..	36,365	656,935,420	160,301,569	5,532	29,713	35,245	721	531
1919 ..	40,969	739,390,012	179,788,566	7,635	37,040	44,675	1,133	880
1920 ..	44,635	762,037,360	189,651,320	8,005	39,048	47,053	1,572	1,174
1921 ..	44,109	700,697,985	179,427,501	7,078	32,182	39,260	1,492	1,146
1922 ..	51,033	869,327,652	214,327,505	7,857	38,102	45,959	1,557	1,227
1923 ..	52,972	1,000,708,890	240,979,975	7,962	40,549	48,511	1,484	1,171
1924 ..	56,351	1,030,905,658	241,319,095	8,179	43,056	51,235	1,525	1,174

TABLE 19D

JAPAN'S PRODUCTION AND DOMESTIC USE OF COTTON YARN

Years.	Cotton Yarn Production.			
	16's	20's	Others.	Total.
	Bales.	Bales.	Bales.	Bales.
1903	330,665·7	175,843·0	295,227·5	801,738·0
1904	251,867·0	157,048·0	286,297·5	695,212·5
1905	309,173·0	209,816·0	386,547·5	905,536·5
1906	323,664·0	227,628·0	393,873·5	945,165·5
1907	341,433·0	218,665·0	423,384·5	983,482·5
1908	224,897·5	209,475·0	444,198·0	878,570·5
1909 ..	295,802·5	229,763·5	499,678·5	1,025,244·5
1910	338,175·0	258,412·5	538,193·0	1,134,780·5
1911	295,065·5	262,298·5	571,903·0	1,129,267·0
1912 ..	346,844·5	335,821·0	669,544·0	1,352,209·5
1913	396,645·5	371,522·5	749,814·0	1,517,982·0
1914 .	388,992·0	439,672·5	837,516·5	1,666,181·0
1915	393,027·0	443,040·5	884,197·0	1,720,264·5
1916 ..	409,053·5	497,291·0	1,019,234·5	1,925,579·0
1917 .. .	359,623·0	528,603·0	1,035,615·5	1,923,841·5
1918 .. .	228,818·5	511,538·0	1,063,509·5	1,803,866·0
1919	204,486·0	539,748·5	1,176,548·0	1,920,782·5
1920 .. .	196,928·5	191,141·5	1,128,906·0	1,816,976·0
1921	215,682·5	436,629·5	1,159,038·0	1,811,350·0
1922 . ..	205,489·5	746,731·0	1,276,025·5	2,228,246·0
1923 .. .	170,357·0	680,708·0	1,320,088·0	2,171,153·0
1924	135,844·0	631,476·0	1,305,497·5	2,072,817·5

Years.	Imports.	Total.	Exports.	Domestic use and Others.
	Bales.	Bales.	Bales.	Bales.
1903	3,539·0	805,277·0	307,201·0	498,076·0
1904	1,792·0	697,004·0	257,307·0	439,697·5
1905	7,450·0	912,986·5	267,383·0	645,603·5
1906	20,117·0	965,282·5	267,348·0	697,934·5
1907	5,951·0	989,433·5	226,472·0	762,961·5
1908	4,552·0	883,122·5	167,842·0	715,280·5
1909	3,204·0	1,028,448·5	258,878·0	769,570·5
1910	1,016·0	1,135,796·5	347,633·0	788,163·5
1911	1,843·0	1,131,110·0	285,009·0	846,101·0
1912	1,895·0	1,354,104·5	374,933·0	979,171·5
1913	1,266·0	1,519,248·0	468,736·0	1,050,512·0
1914	607·0	1,666,788·0	569,990·0	1,096,798·0
1915	588·0	1,720,852·5	575,891·0	1,144,961·5
1916	660·0	1,926,239·0	547,147·0	1,379,092·0
1917	904·0	1,924,745·5	470,852·0	1,453,893·5
1918	1,088·0	1,804,954·0	421,512·0	1,383,442·0
1919	8,907·0	1,929,689·5	230,333·0	1,699,356·5
1920	5,121·0	1,822,097·0	304,925·0	1,517,172·0
1921	2,579·0	1,813,929·0	292,260·0	1,521,669·0
1922	3,126·0	2,231,372·0	394,062·0	1,837,310·0
1923	6,332·0	2,177,485·0	248,324·0	1,929,161·0
1924	8,972·0	2,081,789·5	270,559·0	1,811,430·5

TABLE

JAPAN'S EXPORTS

Years.	China.		Hongkong.		British India.	
	Quantities.	Value.	Quantities.	Value.	Quantities.	Value.
	Piculs.	Yen.	Piculs.	Yen.	Piculs.	Yen.
1903 ..	837,822	28,338,366	53,225	1,891,426	16	731
1904 ..	645,479	24,145,213	68,249	2,698,520	....	....
1905 ..	697,998	28,693,913	22,154	938,570	270	11,268
1906 ..	729,657	32,047,107	18,760	833,767	45	2,155
1907 ..	572,605	25,423,430	23,488	1,084,251	1,189	55,073
1908 ..	402,801	16,360,708	19,533	955,190	123	4,511
1909 ..	708,306	28,898,310	10,166	509,364	45	2,603
1910 ..	904,605	40,224,249	53,858	2,648,659	2,102	207,819
1911 ..	702,973	35,422,564	38,754	2,148,590	5,426	585,083
1912 ..	912,598	45,757,948	87,272	4,547,936	2,966	327,561
1913 ..	1,167,892	60,095,834	102,093	5,746,697	9,774	987,364
1914 ..	1,365,371	64,558,930	198,373	9,167,521	9,431	971,202
1915 ..	1,391,762	55,503,214	195,723	7,964,419	4,694	405,237
1916 ..	1,320,474	63,842,489	151,144	7,642,095	35,233	3,239,314
1917 ..	1,069,727	85,801,331	175,216	13,413,800	27,938	4,132,636
1918 ..	695,066	86,365,503	187,794	23,473,101	238,280	34,908,715
1919 ..	468,783	84,119,074	106,915	18,527,063	14,259	2,980,475
1920 ..	500,132	81,060,949	175,046	28,937,190	142,846	30,252,515
1921 ..	523,751	47,114,017	168,624	15,410,379	111,492	11,991,334
1922 ..	638,585	62,185,072	250,181	23,478,306	204,959	20,666,783
1923 ..	364,703	38,503,001	120,325	11,534,733	176,812	20,511,884
1924 ..	289,609	40,883,714	184,479	22,250,027	242,521	35,954,637

Regarding exportation to Korea

19E

OF COTTON YARN

Philippine Islands.		Korea.		Other Countries.		Total.	
Quantities.	Value.	Quantities.	Value.	Quantities.	Value.	Quantities.	Value.
Piculs.	Yen.	Piculs.	Yen.	Piculs.	Yen.	Piculs.	Yen.
3,700	156,953	26,834	1,030,664	11	473	921,608	31,418,613
4,535	220,658	53,521	2,196,897	141	7,168	771,925	29,268,465
6,934	340,369	74,602	3,252,992	193	9,350	802,151	33,246,462
6,831	349,262	46,387	2,052,520	364	18,715	802,044	35,303,526
6,645	356,445	75,219	3,413,464	280	14,056	679,426	30,316,710
7,935	379,319	65,421	2,696,323	7,718	327,853	503,531	20,733,904
4,571	212,082	44,176	1,674,937	9,370	359,474	776,634	31,656,770
10,509	560,928	59,476	2,520,098	12,355	534,758	1,042,905	46,696,511
9,228	614,727	68,483	3,024,536	30,163	1,442,325	855,027	43,237,825
10,876	700,660	63,103	2,953,956	47,083	2,346,641	1,124,798	56,634,702
9,887	670,793	45,710	2,092,139	70,860	3,496,850	1,406,216	73,089,677
14,372	920,719	57,061	2,296,646	65,362	2,936,128	1,709,970	80,851,146
10,889	650,945	80,064	2,793,442	44,545	1,687,192	1,727,677	69,004,449
5,066	452,884	78,410	3,314,641	50,517	2,415,072	1,641,444	80,908,495
9,780	989,778	82,702	5,042,720	47,106	3,801,617	1,412,559	113,781,972
17,054	2,336,321	39,159	4,489,740	87,185	11,126,379	1,264,538	102,789,759
2,078	374,536	48,142	7,404,845	50,834	8,230,934	691,011	121,636,927
7,645	1,586,127	16,604	2,587,874	72,502	10,557,150	914,775	154,981,805
4,253	419,360	..	..	68,653	5,602,912	876,783	80,568,002
8,687	910,275	..	..	70,774	7,482,819	1,182,186	114,723,255
6,802	771,632	..	..	76,332	7,190,711	744,974	78,511,961
5,398	669,935	..	..	89,075	9,852,639	811,082	109,610,952

accurate figures will not be available from September 1920.

TABLE

JAPAN'S EXPORTS OF

Excluding cotton towels, cotton handkerchiefs, blankets and blanketings of cotton, knit of cotton crapes,

Year.	China.	Kwantung Province.	Hong-kong.	British India.	Straits Settle-ment.	Dutch India.	Asiatic Russia.
	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
1903 ..	2,983,591	..	1,113,391	56,528	48,551	..	7,111
1904 ..	3,068,399	..	871,816	107,354	54,178	..	1,532
1905 ..	4,606,791	..	1,087,143	45,857	102,357	..	86,752
1906 ..	8,161,351	..	1,395,332	40,588	105,228	..	465,608
1907 ..	4,718,474	2,730,557	1,083,494	45,397	159,002	..	333,033
1908 ..	4,534,201	2,109,976	424,415	43,314	160,202	..	675,849
1909 ..	6,727,632	3,583,566	522,476	54,452	215,375	..	433,268
1910 ..	10,078,043	4,979,575	865,755	81,371	254,769	..	112,203
1911 ..	10,128,091	6,756,739	561,549	111,832	243,699	204,539	183,685
1912 ..	12,717,303	9,169,254	873,183	732,478	249,296	192,544	156,242
1913 ..	18,964,913	9,109,327	1,142,558	1,031,906	274,580	232,543	880,716
1914 ..	26,188,612	3,330,978	1,032,038	1,727,442	212,183	183,430	754,272
1915 ..	27,331,680	3,177,660	913,303	3,703,475	338,309	428,975	905,341
1916 ..	34,783,962	4,024,727	1,453,592	10,560,119	757,424	2,245,502	524,970
1917 ..	84,804,372	8,988,294	2,647,565	15,121,454	1,359,324	5,701,034	1,959,338
1918 ..	88,047,516	20,832,109	3,621,428	55,435,718	3,900,657	17,693,598	17,528,400
1919 ..	143,283,813	44,207,583	3,208,145	29,507,929	2,742,145	24,415,754	18,878,498
1920 ..	130,515,786	26,592,938	9,347,383	67,289,100	6,949,057	60,465,523	702,788
1921 ..	100,987,683	15,536,606	12,306,505	30,465,794	3,841,461	25,571,947	415,341
1922 ..	108,757,681	18,494,039	10,212,743	33,567,336	5,892,104	24,938,051	1,094,905
1923 ..	100,292,315	14,617,573	11,625,461	36,546,103	6,048,085	22,534,624	685,830
1924 ..	137,920,952	15,704,994	19,369,363	46,916,136	4,901,487	37,194,858	654,414

Regarding exportation to Korea accurate figures

19F

COTTON PIECE-GOODS

of cotton, Turkish and honeycomb or huckaback, undershirts and drawers cotton bags, cotton threads

Philippine Islands.	Siam.	Great Britain.	United States.	Australia.	Hawaii.	Korea.	Other Countries.	Total.
Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.	Yen.
11,044	..	21,847	63,549	13,715	.98,023	2,409,064	48,533	6,874,947
42,087	..	16,681	98,282	20,662	80,566	3,331,549	50,325	7,743,431
31,692	..	15,633	122,684	18,495	75,403	5,235,020	64,257	11,492,084
110,038	..	30,670	79,217	34,404	99,873	5,010,476	85,157	15,617,942
416,075	..	30,969	93,467	32,195	101,847	6,385,942	213,645	16,344,097
665,353	..	29,719	52,705	66,559	92,656	5,523,017	233,318	14,611,374
905,641	..	36,739	93,068	139,486	129,468	4,509,092	322,720	17,672,986
769,997	..	100,258	100,748	117,220	164,037	2,528,166	309,693	20,462,535
775,910	8,307	75,164	144,781	171,461	175,317	9,005,184	138,463	28,684,721
558,370	102,638	58,931	216,253	380,108	193,028	11,192,095	161,767	36,953,493
545,800	112,671	105,142	316,680	531,358	152,055	9,409,039	205,435	43,015,623
308,133	60,567	74,904	233,719	495,213	101,314	8,562,649	137,056	43,403,410
247,966	67,977	193,301	311,865	531,808	180,826	9,982,959	178,937	48,494,382
277,316	179,581	761,902	1,428,262	1,872,833	221,622	13,122,816	958,742	73,173,460
1,066,497	382,341	61,133	1,655,078	1,746,809	264,602	20,650,101	1,700,320	148,108,352
1,547,777	1,544,786	463,461	942,322	10,294,441	182,018	30,727,345	15,878,879	268,640,465
505,729	334,467	204,933	1,954,911	3,745,466	390,341	70,884,271	6,931,343	351,195,333
6,551,838	1,362,112	86,182	2,207,401	10,337,039	545,159	17,207,269	11,513,720	352,173,295
3,779,039	609,640	57,004	3,615,493	2,857,550	418,405	..	3,210,671	203,673,379
3,452,640	1,382,544	48,870	4,125,972	6,290,925	321,637	..	3,492,672	222,052,119
5,398,857	1,432,448	5,791	2,503,531	6,064,102	41 9,285	..	26,053,480	234,227,485
6,895,480	1,504,053	9,799	4,118,243	7,745,995	237,330	..	43,354,371	320,587,484

cannot be available from September 1920.

TABLE 19G

Japan's Cotton Consumption

Years.	Indian.		American.	
	lbs.	Bales of 300 kin.	lbs.	Bales of 375 kin.
1903	220,058,084	550,145	66,841,125	133,682
1904	145,470,175	303,675	37,289,983	74,578
1905	215,531,242	538,828	124,278,875	248,558
1906	213,902,368	534,756	119,326,058	238,652
1907	265,737,875	664,345	111,216,408	222,438
1908	230,701,058	576,753	95,674,700	191,349
1909	306,535,475	766,339	105,293,050	210,586
1910	372,808,800	933,092	69,456,508	140,156
1911	297,798,250	744,496	111,540,908	223,082
1912	368,062,933	920,155	214,251,250	428,537
1913	434,685,666	1,086,713	202,441,016	404,881
1914	549,868,658	1,374,672	170,397,933	340,797
1915	559,320,525	1,398,301	209,035,492	418,073
1916	593,978,108	1,484,945	235,615,875	471,233
1917	590,521,080	1,476,303	242,144,925	484,290
1918	453,072,641	1,132,681	280,374,975	560,750
1919	376,648,588	941,621	355,589,221	711,178
1920	482,881,416	1,207,203	310,370,393	620,740
1921	521,998,441	1,305,005	304,763,617	609,597
1922	615,242,183	1,491,844	389,759,225	780,344
1923	652,798,508	1,663,509	296,423,592	592,515
1924	563,969,233	1,407,838	282,197,025	564,390

TABLE 19G—contd.

Years.	Chinese.		Egyptian.		Annam and Saigon.	
	lbs.	Bales of 400 kin.	lbs.	Bales of 550 kin.	lbs.	Bales of 300 kin.
1903	81,711,917	153,209	8,308,958	11,330	7,206,191	18,015
1904	127,976,550	239,940	7,346,125	10,017	6,290,700	15,727
1905	70,662,350	132,492	7,365,525	10,044	2,621,333	6,553
1906	97,386,216	182,599	6,718,950	9,162	2,688,083	6,720
1907	67,479,692	126,524	7,008,467	9,557	5,027,208	12,568
1908	76,140,575	142,764	9,406,175	12,826	7,154,158	17,885
1909	53,332,225	99,998	13,087,891	17,847	6,366,292	15,916
1910	79,219,308	146,910	11,374,717	15,509	4,823,683	11,829
1911	110,200,125	206,625	13,506,525	18,418	1,837,833	4,595
1912	31,654,633	59,350	15,086,558	20,573	3,735,384	9,307
1913	46,621,309	87,414	16,699,042	22,772	7,547,250	18,869
1914	36,528,292	68,491	15,161,483	20,674	4,742,225	11,857
1915	18,389,108	34,482	13,436,266	18,323	2,641,083	6,604
1916	29,506,075	55,324	16,421,546	22,393	9,069,166	22,673
1917	42,305,808	79,323	14,717,091	20,069	3,715,905	9,290
1918	83,091,375	155,796	14,769,342	20,140	3,187,334	7,968
1919	130,970,193	245,569	15,588,908	21,258	2,265,292	5,663
1920	30,684,616	57,533	11,558,208	15,761	2,041,258	5,104
1921	3,037,340	5,695	14,600,500	19,910	3,923,158	9,808
1922	3,626,017	7,724	19,652,842	27,036	5,563,967	12,873
1923	25,836,858	48,444	22,140,542	30,191	2,519,492	6,295
1924	58,888,450	110,418	36,176,192	60,715	1,461,775	3,656

TABLE 19G—concld.

Years.	Korean.		Sundries.		Total.	
	lbs.	Bales of 200 kin.	lbs.	Bales of 300 kin.	lbs.	Bales.
1903	....	..	6,116,958	15,292	390,243,233	881,673
1904 . ..	....	..	4,452,475	11,103	328,826,008	715,040
1905	....	..	2,831,175	7,078	423,290,500	943,553
1906	....	..	4,251,825	10,692	444,273,500	982,581
1907	....	..	3,645,008	9,113	460,114,658	1,044,545
1908	....	..	4,166,275	10,415	423,242,941	951,992
1909	....	..	4,787,692	11,969	489,402,625	1,122,655
1910 . ..	....	..	5,909,009	13,522	543,592,025	1,261,018
1911	....	..	4,321,184	10,636	539,204,825	1,207,852
1912	....	..	3,441,058	8,593	636,231,816	1,446,515
1913	....	..	4,143,508	10,358	712,138,691	1,631,007
1914	....	..	7,158,842	17,897	783,857,433	1,834,388
1915	....	..	4,998,742	12,497	807,821,216	1,888,280
1916	6,744,540	25,289	4,251,590	10,629	895,586,900	2,092,486
1917	8,194,558	30,730	4,344,308	10,861	905,943,675	2,110,866
1918	11,790,775	44,215	6,941,733	17,354	853,228,175	1,938,904
1919	11,454,470	42,954	5,037,182	12,593	897,563,824	1,980,836
1920	9,412,820	35,298	5,367,604	13,419	852,316,315	1,955,058
1921	8,744,408	32,792	3,479,358	8,699	860,546,824	1,991,506
1922	8,354,600	30,196	5,680,941	14,163	1,047,879,775	2,363,730
1923	12,054,238	45,182	7,929,408	19,808	1,019,702,633	2,405,944
1924	20,443,692	76,665	5,877,333	14,694	969,013,700	2,238,376

TABLE 19H

Cotton Trade in Japan

Years.	IMPORTS.				EXPORTS.
	Raw Cotton.	Cotton Yarn.	Cotton Goods.	Total.	Cotton Wadding.
	Yen.	Yen.	Yen.	Yen.	Yen.
1903	69,526,247	760,286	11,232,869	81,525,402	235,597
1904	73,439,174	343,290	9,824,406	83,606,870	341,663
1905	110,623,183	1,701,866	19,293,252	131,618,301	630,234
1906	82,661,859	4,656,342	19,845,097	107,163,298	479,245
1907	115,641,599	2,020,304	18,549,651	136,121,554	632,845
1908	90,256,289	1,335,760	18,769,091	110,361,140	753,560
1909	108,307,788	961,478	14,907,512	124,176,778	595,466
1910	159,221,808	344,187	14,595,543	174,161,538	316,470
1911	147,102,717	684,463	15,076,802	162,863,982	264,136
1912	201,247,999	630,732	10,395,568	212,274,299	252,744
1913	234,462,786	465,838	10,800,657	245,729,281	236,663
1914	220,496,198	215,623	5,857,458	226,587,279	353,680
1915	218,502,159	171,451	5,167,616	223,841,226	284,866
1916	277,571,308	253,397	4,711,122	282,535,917	508,566
1917	334,679,291	552,335	4,088,928	339,320,554	515,627
1918	522,631,857	892,943	7,121,751	530,646,551	635,936
1919	674,561,984	5,512,417	8,396,555	688,470,956	1,074,341
1920	727,365,425	4,453,280	17,074,816	748,893,521	760,017
1921	438,172,816	1,768,340	10,038,794	449,979,950	435,163
1922	427,840,891	2,155,853	15,393,768	445,390,512	301,333
1923	513,172,458	2,207,531	8,888,530	524,268,519	247,584
1924	605,274,734	3,421,587	11,865,865	620,562,186	....

TABLE 19H—contd.

Years.	EXPORTS—*contd.*			Excess of Imports.	Percentage of Cotton and Cotton Goods for the whole foreign trade of Japan.	
	Cotton Yarn.	Cotton Goods.	Total.		Imports.	Exports.
	Yen.	Yen.	Yen.	Yen.	Per cent.	Per cent.
1903	31,418,614	9,160,203	40,814,414	40,710,988	38	13
1904	29,268,456	11,114,836	40,724,955	42,881,915	26	11
1905	33,246,462	15,702,214	49,578,910	82,039,391	26	10
1906	35,303,526	21,687,257	57,470,028	49,693,270	34	14
1907	30,342,914	22,924,083	53,899,842	82,221,712	31	11
1908	20,723,904	19,579,705	41,057,169	69,303,971	29	9
1909 ..	31,656,770	23,161,167	55,413,403	68,763,375	30	14
1910	46,696,510	32,809,729	79,822,709	94,338,829	37	17
1911	43,237,825	36,701,903	80,203,846	82,660,118	31	16
1912	56,634,702	39,864,586	96,752,032	115,522,267	33	17
1913	73,089,677	46,349,980	119,676,320	126,052,961	36	18
1914	80,851,146	55,744,910	136,949,736	89,637,543	36	19
1915	69,004,449	63,671,394	132,960,709	90,880,517	39	17
1916	80,906,495	110,743,884	192,158,945	90,376,972	35	16
1917	113,781,972	175,490,799	289,788,398	49,532,156	31	17
1918	162,789,759	305,673,592	469,099,287	61,547,264	30	22
1919	121,636,927	395,597,639	518,308,907	170,162,049	29	23
1920	154,981,805	396,238,040	557,979,862	196,913,659	31	27
1921	80,568,002	221,045,606	302,048,771	147,931,179	28	12
1922	114,723,255	222,052,119	337,076,707	108,313,805	24	21
1923	78,511,961	259,479,776	338,239,321	186,029,198	26	23
1924	109,610,952	354,937,283	464,548,235	156,013,951	25	25

TABLE 20A

Japan

Year.	Total Spindles excluding doubling Spindles.	Total Looms.	Total production of Yarn in Bales of 400 lbs.	Total production of Piece-goods in Yards.	Exports of Yarn in Bales.
1903*	1,381,306	5,043	801,737·5	76,702,213	307,201
1904	1,345,585	5,085	695,213·0	80,947,348	257,307
1905	1,426,594	8,140	905,536·5	114,908,132	267,383
1906	1,472,253	9,601	945,167·5	137,773,415	267,348
1907	1,540,452	9,462	983,481·5	135,253,029	226,472
1908	1,795,879	11,146	878,570·5	147,443,838	167,842
1909	1,954,892	13,813	1,025,244·5	181,976,972	258,878
1910	2,099,754	17,702	1,134,780·5	226,313,958	347,633
1911	2,170,796	20,431	1,129,267·0	289,039,671	285,009
1912	2,176,748	21,898	1,352,209·5	342,584,684	374,933
1913	2,414,499	24,224	1,517,982·0	416,725,357	468,736
1914	2,657,174	25,443	1,666,181·0	454,901,674	569,990
1915	2,807,514	30,068	1,720,264·5	502,076,621	575,891
1916	2,875,904	31,295	1,925,579·0	560,181,108	547,147
1917	3,060,478	36,181	1,923,841·5	594,649,419	470,852
1918	3,227,678	40,391	1,808,866·0	656,935,420	421,512
1919	3,488,262	44,401	1,920,782·5	739,390,012	230,333
1920	3,813,580	50,588	1,816,976·0	762,037,360	304,925
1921	4,161,126	54,994	1,811,350·0	700,697,985	292,260
1922	4,517,612	60,765	2,228,246·0	869,327,652	394,062
1923	4,197,966	61,421	2,171,153·0	1,000,708,890	248,342
1924	4,870,232	64,225	2,072,817·5	1,030,905,658	270,359

* Year ending 31st December, in all cases.

TABLE 20A—contd.

Year.	Exports of Yarn. Value in Yen.	Exports of Piece-goods. Value in Yen.	Total consumption of raw Cotton in lbs.	Total consumption of Indian Cotton in lbs.	Total consumption of American Cotton in lbs.
1903*	31,418,613	6,874,947	390,243,233	220,058,084	66,841,125
1904	29,268,465	7,743,431	328,826,008	145,470,175	37,289,983
1905	33,246,462	11,492,084	423,290,500	215,531,242	124,278,875
1906	35,303,520	15,617,942	444,273,500	213,902,368	119,326,058
1907	30,346,719	16,344,097	460,114,658	265,737,875	111,216,408
1908	20,723,904	14,611,374	423,242,941	230,701,058	95,674,700
1909	31,656,770	17,672,986	489,402,625	306,535,475	105,293,050
1910	46,696,511	20,402,535	543,592,025	372,808,800	69,456,508
1911	43,237,825	28,684,721	539,204,825	297,798,250	111,540,908
1912	56,634,702	36,953,493	636,231,816	368,062,933	214,251,250
1913	73,089,677	43,015,623	712,138,691	434,685,066	202,441,016
1914	80,851,146	43,403,410	783,857,433	548,868,658	170,397,933
1915	69,004,449	48,494,382	807,821,216	559,320,525	209,035,492
1916	80,906,495	73,173,460	895,586,900	593,978,108	235,615,875
1917	113,781,972	148,108,352	905,943,075	590,521,080	242,144,925
1918	162,789,759	268,640,465	853,228,175	453,072,641	280,374,975
1919	121,636,927	351,195,333	897,553,824	376,648,588	355,589,221
1920	154,981,805	352,173,295	852,316,315	482,881,416	310,370,399
1921	80,568,002	203,673,379	860,546,824	521,998,441	304,763,617
1922	114,723,255	222,052,119	1,047,879,775	615,242,183	389,759,225
1923	78,511,961	234,227,485	1,019,702,633	652,798,508	296,423,592
1924	109,610,952	326,587,484	969,013,700	563,969,233	282,197,025

* Year ending 31st December, in all cases.

TABLE 20B

India

Year.	Total Spindles.	Total Looms.	Total production of Yarn in Bales of 400 lbs. each.	Total production of Piece-goods in Yards. *
	Year ending 30th June.	30th June.	31st March.	31st March.
1903	5,043,297	44,092	1,440,586	406,316,717
1904	5,118,121	45,337	1,444,054	460,554,273
1905	5,163,486	50,139	1,445,953	549,529,065
1906	5,279,595	52,668	1,702,296	546,990,190
1907	5,333,275	58,436	1,634,251	708,139,870
1908	5,756,020	67,920	1,595,738	808,426,561
1909	6,053,231	76,893	1,642,075	824,489,164
1910	6,195,671	82,725	1,568,410	963,869,482
1911	6,357,460	85,352	1,524,318	1,042,741,653
1912	6,463,929	88,951	1,562,575	1,136,151,590
1913	6,596,862	94,136	1,721,182	1,220,442,545
	Year ending 31st August.			
1914	6,778,895	104,179	1,706,942	1,164,291,588
1915	6,848,744	108,009	1,629,961	1,135,707,952
1916	6,839,877	110,268	1,806,061	1,441,514,550
1917	6,738,697	114,621	1,702,768	1,578,132,789
1918	6,653,871	116,484	1,651,430	1,614,126,458
1919	6,689,680	118,221	1,537,601	1,450,726,160
1920	6,763,076	119,012	1,589,400	1,639,779,227
1921	6,870,804	123,783	1,050,006	1,580,849,746
1922	7,331,219	134,620	1,733,929	1,731,573,296
1923	7,927,938	144,794	1,764,733	1,725,284,187
1924	8,313,273	151,485	1,521,569	1,700,397,693

* Excluding Blankets, Handkerchiefs, Shawls and Fents.

TABLE 20B—contd.

Year.	Exports of Yarn in Bales of 400 lbs. each.	Exports of Yarn. Value in Rupees.	Total exports of Piece-goods from India in Yards.	Total exports of Piece-goods from India. Value in Rupees.	Total consumption of raw Cotton by Mills in lbs.
	31st March.	31st March.	31st March.	31st March.	30th June.
1903	621,346	85,400,344	69,534,540	13,275,431	687,821,280
1904	631,188	88,415,431	75,815,129	14,830,434	683,948,272
1905	619,636	98,156,814	87,456,469	16,514,451	736,663,648
1906	744,085	123,876,874	91,974,962	18,658,721	793,218,272
1907	608,792	103,965,321	76,698,937	16,536,606	776,226,640
1908	538,939	89,730,375	74,127,955	16,374,760	780,668,000
1909	588,672	96,805,305	77,988,964	17,036,385	826,728,000
1910	568,411	97,090,890	94,137,558	20,415,555	758,527,920
1911	458,562	86,240,400	99,788,315	22,038,825	747,099,472
1912	378,722	75,901,455	81,429,410	19,666,260	803,639,984
1913	509,903	99,168,450	36,512,812	20,875,850	821,638,272
					31st August.
1914	494,945	98,323,095	89,233,716	21,368,745	840,105,392
1915	334,048	62,864,805	67,194,430	15,877,335	823,231,744
1916	400,579	69,228,660	113,465,214	24,669,360	861,505,456
1917	422,450	79,490,895	263,845,251	47,512,345	861,680,288
1918	304,494	75,647,115	189,449,666	55,382,430	810,585,776
1919	159,464	72,233,235	149,088,495	64,525,905	801,338,160
1920	379,675	182,592,330	196,554,975	87,361,540	755,308,656
1921	206,338	101,715,350	146,364,793	75,063,030	831,130,160
1922	202,583	77,145,689	160,966,778	74,805,384	856,087,680
1923	142,153	54,776,098	156,951,235	70,335,411	843,465,616
1924	96,328	36,621,966	165,328,567	66,310,945	751,757,216

TABLE 20C

Comparative Table

India, China and Japan

Year.	Yarn exports to China including Hongkong from Japan in lbs.	Yarn exports to China including Hongkong from India in lbs.	Yarn exports from Japan to India in lbs. *	Piece-goods exports from Japan to India. Value in Yen. †	Piece-goods exports from Japan to China. Value in Yen. †	Piece-goods exports from India to China including Hongkong. *Quantity* in Yards. †	Piece-goods exports from India to China including Hongkong. Value in Rupees. †
1903 ..	118,806,266	232,412,908	2,133	56,528	2,983,591	2,609,416	333,496
1904 ..	95,163,733	235,961,880	..	107,354	3,068,399	1,118,091	162,162
1905 ..	96,020,266	229,107,329	32,666	45,857	4,606,791	10,342,734	1,566,427
1906 ..	99,788,933	282,095,892	6,000	40,588	8,161,351	13,300,860	1,980,121
1907 ..	79,479,066	223,425,598	158,533	45,397	4,718,474	1,490,983	226,278
1908 ..	56,311,200	160,312,294	16,400	43,314	4,534,201	1,545,493	229,410
1909 ..	95,796,266	208,047,448	6,000	54,452	6,727,632	4,400,910	631,320
1910 ..	127,759,066	200,205,056	2,802,669	81,371	10,078,043	5,995,090	841,035
1911 ..	98,896,933	158,839,789	723,466	111,832	10,128,091	2,279,693	323,595
1912 ..	133,312,663	129,296,816	395,466	732,478	12,717,303	529,840	92,625
1913 ..	69,331,333	183,348,529	1,299,866	1,031,906	18,964,913	1,277,635	203,520
1914 ..	208,499,200	177,976,588	1,257,466	1,727,442	26,188,612	970,559	158,470
1915 ..	211,664,666	116,671,082	625,866	3,703,475	27,331,680	177,174	32,490
1916 ..	196,215,733	139,963,870	4,697,733	10,560,119	34,783,962	408,555	56,210
1917 ..	165,992,400	143,795,340	3,725,066	15,121,454	84,804,372	304,269	41,280
1918 ..	177,714,666	102,188,000	31,770,666	55,435,718	88,047,516	113,064	28,920
1919 ..	76,759,733	48,800,500	1,901,200	29,507,929	143,283,813	21,952	2,470
1920 ..	90,027,066	126,550,093	19,054,800	67,289,100	130,515,786	635,163	294,690
1921 ..	92,318,000	63,425,529	14,865,600	30,465,704	100,987,683	148,168	78,810
1922 ..	118,502,133	61,984,616	27,327,866	33,567,336	108,757,681	24,870	19,638
1923 ..	64,670,400	41,059,562	23,574,933	36,546,103	100,292,315	40,866	19,734
1924 ..	63,211,733	20,733,610	32,336,133	46,918,136	137,920,952	58,333	31,904

* These figures do not exactly tally with the figures of imports into India as published by the Government of India, but it should be remembered that they are for years ending 31st December whereas the Government of India figures are for years ending 31st March.

† Excluding Cotton Towels, Handkerchiefs and Cotton Blankets.

TABLE 21

Statement of Profits made by Japanese Mills

(in thousands of yen)

		Paid-up Capital.	Profit.	Percentage of Profit.	Reserve.	Dividend.	Percentage of Dividend.	Carry forward.
Dai-Nippon	1st half 1924	52,000	7,160	27·5	1,000	5,183	20·0	6,709
	2nd ,, 1924	52,000	8,550	32·9	1,000	5,200	20·0	8,189
	1st ,, 1925	52,000	8,534	32·8	1,000	5,200	20·0	9,215
Fugi Gas	1st half 1924	27,950	2,873	20·5	200	1,677	12·0	1,425
	2nd ,, 1924	33,656	3,677	21·9	300	1,907	12·0	1,761
	1st ,, 1925	33,992	3,891	22·9	311	2,040	12·0	1,080
Toyo	1st half 1924	31,850	5,297	33·3	1,000	3,081	25·0	5,302
	2nd ,, 1924	31,850	6,800	42·7	1,000	3,921	25·0	5,452
	1st ,, 1925	31,840	7,622	47·9	1,000	3,081	25·0	5,878
Kanegafuchi	1st half 1924	28,596	6,864	66·9	500	4,906	48·0	10,666
	2nd ,, 1924	28,596	9,066	63·4	500	5,433	38·0	11,489
	1st ,, 1925	28,596	5,020	63·1	500	5,433	38·0	11,786
Godo	1st half 1924	14,063	2,204	31·3	500	1,406	20·0	5,063
	2nd ,, 1924	14,063	2,539	36·1	500	1,406	20·0	5,159
	1st ,, 1925	14,063	2,671	38·0	500	1,406	20·0	5,277
Kurashiki	1st half 1924	12,322	1,410	26·4	100	1,067	20·0	1,282
	2nd ,, 1924	12,350	1,600	25·9	100	1,235	20·0	1,301
	1st ,, 1925	12,350	1,631	26·4	100	1,235	20·0	1,348
Nishin	1st half 1924	10,857	1,186	24·6	100	770	16·0	167
	2nd ,, 1924	12,149	1,630	26·8	100	966	16·0	282
	1st ,, 1925	16,125	1,987	24·6	100	1,122	16·0	398
Nikka	1st half 1924	8,800	440	12·0	40	365	10·0	321
	2nd ,, 1924	8,800	528	12·0	40	440	10·0	240
	1st ,, 1925	8,800	551	12·1	40	440	10·0	261
Fukushima	1st half 1924	5,600	1,300	46·4	100	896	32·0	3,529
	2nd ,, 1924	5,600	1,459	52·1	100	896	32·0	3,584
	1st ,, 1925	5,600	1,600	57·1	100	896	32·0	3,675
Hinode	1st half 1924	5,250	350	13·5	25	315	12·0	550
	2nd ,, 1924	5,250	355	13·5	20	315	12·0	561
	1st ,, 1925	5,250	471	17·6	30	315	12·0	576
Idzumi	1st half 1924	3,750	286	15·2	50	325	12·0	505
	2nd ,, 1924	3,750	422	22·5	50	325	12·0	553
	1st ,, 1925	4,500	408	18·1	50	247	12·0	614

Profit includes depreciation of fixed Capital.

Note.—The reserves in the above table are the actual reserves inclusive of reserves for the first half year term and carry forwards, also those carried forward to the present term, so that they are different from the figures as they stood at the end of the first half year period.

Note.—The above figures relate to 11 Japanese Mill Companies representing in all 4,074,249 spindles and 41,812 looms and as the total number of spindles and looms in Japan is about 5,110,000 and 64,000 respectively, the profits given represent 79¾ of the total spindles and 65 per cent. of the total looms.

TABLE 22

Comparative statement of wages per month (excluding annual bonus) showing the level of wages as compared with 1910=100.

	Standard Muster 1st April 1910.	Standard Muster 1st April 1913.	Standard Muster 1st January 1918 including 15 per cent.	Standard Muster 1st January 1919 including 35 per cent.	Standard Muster 1st February 1920 including 55 per cent. and 75 per cent.	Standard Muster 1st November 1920 including 70 per cent. and 80 per cent.	Standard Muster 1st May 1921 including 70 per cent. and 80 per cent.	Standard Muster 1st April 1923 including 70 per cent. and 80 per cent.
Blow Room Tenters ..	100	117	144	169	194	212	212	242
Card Room Tenters ..	100	128	167	194	222	244	264	303
Speed Frame Tenters ..	100	109	133	158	204	210	210	210
Ring Frame Side boys ..	100	115	154	181	208	220	229	229
Winders	100	100	116	134	154	170	170	170
Weavers	100	100	125	145	180	194	217	217

TABLE 23

Statement showing the average percentage of increase in the cost of living in Bombay taking 100 to represent the level in July 1924.

	Per cent.
1919	75
1920	83
1921	73
1922	64
1923	54
1924	57
1925	55
1926	*54

*Average for four months.

TABLE 24

Statement showing actual prices paid for Stores from 1914

Years.	Oil Spindle per gallon.	Oil Shafting per gallon.	Oil Loom per gallon.	Roving Bobbins per gross.	Slubbing Bobbins per gross.	Shuttles per doz.	China Clay per ton.	Farina per ton.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1914 ..	0 1 6	0 2 1	0 1 8½	0 19 1	0 30 6	0 14 6	3 13 6	13 6 0
1915 ..	0 1 6	0 2 1	0 1 8½	0 22 10	0 37 9	0 14 6	4 17 6	32 0 0
1916 ..	0 1 9	0 2 4	0 1 11½	0 23 10	0 38 1	0 15 6	5 18 0	34 0 0
1917 ..	0 2 9	0 3 0	0 2 9	0 32 4	0 51 10	0 24 9	6 16 0	
1918 ..	0 5 0	0 5 9	0 5 0	0 51 0	0 75 0	0 34 0	7 15 6	
1919 ..	0 3 8½	0 4 5½	0 3 8½	0 57 9	0 92 0	0 50 6	8 18 0	57 0 0
1920 ..	0 3 8½	0 4 5½	0 3 8½	0 63 0	0 100 6	0 54 6	10 7 0	42 10 0
1921 ..	0 5 8½	0 6 3½	0 5 8½	0 82 3	0 132 0	0 78 0	7 15 0	32 10 0
1922 ..	0 3 6½	0 4 0½	0 3 7½	0 59 9	0 95 3	0 46 9	6 5 0	20 10 0
1923 ..	0 3 2½	0 3 8	0 3 3½	0 46 3	0 73 9	0 47 0	5 16 0	22 7 6
1924 ..	0 3 3½	0 3 9½	0 3 4½	0 42 9	0 68 0	0 48 0	5 16 0	22 7 6
1925 ..	0 3 3½	0 3 9½	0 3 4½	0 42 9	0 68 0	0 48 0	5 10 0	22 16 9
1926 ..	0 3 0½	0 3 6½	0 3 1½	0 40 9	0 65 0	0 46 3	5 2 6	17 15 0

Years.	Magnesium Chloride per ton.	Strapping 1" per lb.	Strapping 2" per lb.	Strapping 3½" per lb.	Cardiff Coal per ton.	Bengal Coal per ton.	Natal Coal per ton.	Liquid Fuel per ton.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1914 ..	3 12 6	0 2 9	0 3 2	0 4 0	27 8 0	20 12 0		
1915 ..	9 10 0	0 3 10	0 4 6	0 5 3	27 8 0	18 2 0		
1916 ..		0 4 8	0 5 3	0 6 2	27 8 0	19 14 0		
1917 ..	11 4 3	0 4 8	0 5 3	0 6 2		22 2 0		
1918 ..		0 5 6	0 6 9	0 8 0		21 0 3		
1919 ..		0 7 6	0 8 9	0 10 0		26 1 3		
1920 ..		0 10 6	0 2 11	0 6 6		34 1 0		
1921 ..		0 9 3	0 2 11	0 6 6	42 9 0	27 8 0	35 4 0	
1922 ..	7 15 0	0 8 0	0 2 2	0 5 5	42 8 0		31 8 0	
1923 ..	4 10 0	0 7 6	0 2 0	0 4 9	37 0 0		30 0 0	
1924 ..	5 0 0	0 7 0	0 1 7	0 4 6				53 10 6
1925 ..	4 2 6	0 7 0	0 1 7	0 4 6				45 0 0
1926 ..	5 16 6	0 7 0	0 1 7	0 4 6				44 14 0

Prices for strapping of 2" and 3½" after 1920 are given per foot from 1920.

TABLE 25.

Statement showing amount of Municipal taxes paid by Bombay City Mills during the following years

Years.	General Tax.	Halalkhore Tax.	Water Tax by Meter.	Total.
	At 9⅞ per cent.	At 3 per cent.	At annas 8 per 1,000 gallons.	
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1914-15 ..	3,32,452 10 5	1,02,539 4 10	3,07,826 6 0	7,42,818 5 3
	At 9⅞ per cent.	At 3 per cent.	At annas 7¾ per 1,000 gallons.	
1918-19 ..	5,55,472 13 2	1,68,763 11 0	4,72,671 3 11	11,96,907 12 1
	At 9⅞ per cent.	At 3 per cent.	At annas 7¾ per 1,000 gallons.	
1921-22 ..	5,99,543 4 5	1,82,145 7 0	5,01,932 14 7	12,83,623 10 0
	At 11½ per cent.	At 3 per cent.	At annas 12 per 1,000 gallons.	
1922-23 ..	7,32,967 6 4	1,91,198 6 5	6,96,680 14 2	16,20,846 10 11
	At 11½ per cent.	At 3 per cent.	At annas 12 per 1,000 gallons.	
1923-24 ..	9,53,287 7 0	2,48,678 5 0	8,65,881 8 0	20,67,847 4 0
	At 11½ per cent.	At 3 per cent.	At annas 12 per 1,000 gallons.	
1924-25 ..	9,62,886 15 0	2,52,138 8 0	7,61,856 8 0	19,76,881 15 0
			At annas 16 per 1,000 gallons.	
1925-26 ..	.... "	....	2,53,952 0 0	22,30,833 0 0

TABLE 26

Statement showing the variation in prices of Standard Longcloth and 20s. yarn from month to month since 1908.

Year.	Month.	Average price of Longcloth per lb. in annas.	Average price of 20s yarn in annas.
1908	January	9½	6⅜
	February	9½	6¼
	March	9½	6⅛
	April	9½	6⅛
	May	9½	6⅛
	June	9½	6¼
	July	9½	6¼
	August	9½	6 5/16
	September	9½	6¼
	October	9¼	6 5/16
	November	9¼	6⅜
	December	9¼	6 3/16
1909	Not available.		
1910	January	9¾	7⅜
	February	9¾	7⅜
	March	9¾	7¾
	April	9⅞	8 1/16
	May	10⅛	7⅞
	June	10⅛	8
	July	10	7⅝
	August	10	7½
	September	10	7⅝
	October	10	7¾
	November	10	8 1/16
	December	10¼	8¾
1911	Not available.		
1912	January	10¼	7¾
	February	10¼	7⅝
	March	10½	8
	April	10 13/16	8⅛
	May	11	8 3/16
	June	11	8¼
	July	11	8¼
	August	11	8¼
	September	11	8¼
	October	11	8 1/16
	November	11	8¼
	December	11	8½
1913	Not available.		
1914	January	10	7¾
	February	10	7½
	March	10	7⅝
	April	9½	7¼
	May	9½	7¼
	June	9½	7 5/16
	July	9½	7¼
	August	9½	6

TABLE 26—contd.

Year.	Month.	Average price of Longcloth per lb. in annas.	Average price of 20s yarn in annas.
	September	9½	5 7/7
	October	9½	5½
	November	8¾	5 3/16
	December	8½	5⅜
1915	January	8½	5¾
	February	8¼	5⅜
	March	8¼	5 7/16
	April	9	5 7/8
	May	9¼	5 7/8
	June	9¼	5¾
	July	9	5¾
	August	8¾	5⅞
	September	9	6
	October	9¾	7
	November	10	6⅝
	December	10	6¾
1916	January	10¼	7 3/16
	February	10¼	7 3/16
	March	10½	7½
	April	10½	7¼
	May	10¾	7⅜
	June	11	7½
	July	11½	7¾
	August	12½	8⅜
	September	13	9
	October	12¾	9½
	November	13	9 15/16
	December	15	10¾
1917	January	14½	10⅜
	February	13¾	10½
	March	14¼	10¾
	April	14¾	11
	May	14½	10¾
	June	15½	12
	July	17	15
	August	18	15
	September	18	13⅞
	October	20½	14½
	November	23	14⅞
	December	26	17½
1918	January	25	18½
	February	25	19⅜
	March	26¼	20¼
	April	27½	19¾
	May	27½	19
	June	28¼	19¼
	July	31	22¼
	August	39	28
	September	37¾	26⅛
	October	32¼	21⅞
	November	25½	17⅞
	December	24¾	18⅞

TABLE 26—contd.

Year.	Month.	Average price of Longcloth per lb. in annas.	Average price of 20s. yarn in annas.
1919	January	29	19 3/8
	February	27 1/2	18 5/8
	March	24 1/2	17 7/8
	April	24	18
	May	25	19 3/8
	June	26 1/2	21
	July	27 1/2	22 7/8
	August	27 1/2	22
	September	24 1/2	20 5/8
	October	25	23 1/8
	November	26 3/4	25 5/8
	December	29	25 3/4
1920	January	31	26 7/8
	February	29 1/2	26 3/8
	March	30	26
	April	30 1/4	25 3/8
	May	29	23 7/8
	June	29 1/2	23 1/4
	July	31	24 3/4
	August	30 1/2	24 15/16
	September	30 1/2	23 3/4
	October	29	21 7/8
	November	29	22 1/2
	December	28 3/4	20
1921	January	27 3/4	17 3/8
	February	25	15 1/4
	March	23 3/4	13 5/8
	April	24 1/4	14 3/4
	May	25 1/4	16 3/8
	June	25 3/4	16 3/8
	July	26	17 3/8
	August	26 1/2	17 3/8
	September	27	18 3/8
	October	28 1/2	19 3/8
	November	27 3/4	18 1/8
	December	26 1/2	19 7/8
1922	January	26	18 1/16
	February	24 3/4	17
	March	26 1/4	17 1/8
	April	26	16 3/4
	May	26 1/4	17 1/2
	June	27	17 1/2
	July	27 1/2	17 3/8
	August	27 1/2	17 1/16
	September	24 1/2	16 3/4
	October	23 1/2	16 5/16
	November	23	16 3/8
	December	22 1/4	15 1/2
1923 ..	January	22 1/2	15 11/16
	February	23	15 1/2
	March	22 1/2	15 3/4
	April	21 1/2	15 3/8

TABLE 26—concld.

Year.	Month.	Average price of Longcloth per lb. in annas.	Average price of 20s. yarn in annas.
	May	20¾	15⅛
	June	20	15
	July	20	15⅛
	August	20	14⅞
	September	20¼	15 7/16
	October	21	15 11/16
	November	23	17⅛
	December	22¼	16½
1924 ..	January	22¾	16 ⅝
	February	23¼	17 7/16
	March	23½	17
	April	23⅝	17⅜
	May	23¼	17¾
	June	23	17⅞
	July	23	17⅞
	August	23¼	17⅞
	September	22¾	17 5/16
	October	22½	17⅜
	November	21½	17⅛
	December	21¼	16 7/16
1925	January	20¾	15⅝
	February	20¾	14 13/16
	March	20½	14 11/12
	April	20½	14 11/16
	May	20	13 11/16
	June	19¼	13½
	July	18½	13⅛
	August	18¼	13⅝
	September	18	13½
	October	19	13⅞
	November	18½	13½
	December	17½	12⅛
1926	January	17½	12¼
	February	17½	12½
	March	17½	12¼
	April	18	11⅛
	May	17½	10¾
	June	17	10¾
	July	16½	10¾
	August	16	10¾

TABLE 27

Statement showing the variation in prices of cotton from year to year

Year.	Cotton, Raw Broach (Bombay) per candy of 784 lbs.			Percentage of increase or decrease as compared with 1873.
	Rs.	a.	p.	
1861	139	0	0	55
1862	205	8	0	81
1863	367	8	0	144
1864	585	0	0	229
1865	342	8	0	134
1866	408	12	0	160
1867	270	0	0	106
1868	190	8	0	75
1869	244	0	0	96
1870	302	0	0	118
1871	200	0	0	78
1872	243	0	0	95
1873	255	0	0	100
1874	210	0	0	82
1875	204	8	0	80
1876	190	8	0	75
1877	209	12	0	82
1878	206	4	0	81
1879	220	12	0	86
1880	251	0	0	98
1881	243	0	0	95
1882	229	0	0	90
1883	197	4	0	77
1884	216	0	0	85
1885	229	0	0	90
1886	214	12	0	84
1887	217	0	0	85
1888	243	0	0	95
1889	234	8	0	92
1890	233	8	0	91
1891	215	0	0	84
1892	191	0	0	75
1893	239	0	0	93
1894	215	0	0	84
1895	202	8	0	79
1896	217	4	0	85
1897	196	0	0	77
1898	175	0	0	68
1899	150	8	0	59
1900	219	0	0	85
1901	215	0	0	84
1902	212	0	0	83
1903	207	4	0	81
1904	248	0	0	97
1905	215	8	0	85
1906	252	0	0	99
1907	248	12	0	98
1908	246	8	0	97
1909	242	0	0	95
1910	303	0	0	110
1911	342	0	0	134
1912	283	0	0	111
1913	299	0	0	117
1914	233	0	0	91
1915	246	0	0	96

TABLE 27—contd.

Year.	Cotton, Raw Broach (Bombay) per candy of 784 lbs.	Percentage of increase or decrease as compared with 1873.
	Rs. a. p.	
1916	320 0 0	125
1917	443 0 0	174
1918	717 0 0	281
1919	536 0 0	210
1920	460 0 0	180
1921	342 0 0	134
1922	479 0 0	188
1923	510 0 0	200
1924	560 0 0	219
1925 January	455 0 0	178
February	462 0 0	181
March	481 0 0	188
April	463 0 0	181
May	446 0 0	175
June	449 0 0	176
July	379 0 0	148
August	458 0 0	179
September	425 0 0	167
October	415 0 0	162
November	389 0 0	151
December	365 0 0	143
1926 January	359 0 0	141
February	357 0 0	140
March	354 0 0	139
April	341 0 0	133
May	336 0 0	131
June	343 0 0	134
July	340 0 0	133
August	349 0 0	137

TABLE 28

Rates of Freight from Bombay for Yarn and Piece-goods

Port	Rate of freight	
	Rs. a.	
Aden	22 8	per ton of 40 C.ft.
Mombasa	25 0	,,
Zanzibar	25 0	,,
Natal	36 0	,,
Durban		
Capetown	59 0	,,
Portsaid	S 20 0	,,
Basrah	25 0	,,
Singapore	22 8	,,
Hongkong	22 8	,,
Shanghai	27 8	,,
Levant Ports *via Portsaid.*—		
	S. d.	
Jaffa, Beyrouth, Rhodes, Alexandretta Chios ..	37 6	,,
Piraeus, Smyrna, Metylene, Dardanelles and Constantinople	35 0	,,
Famagosta, Larnaca, and Limassol	42 6	,,
	Rs. a.	
Port Sudan via Aden	33 8	,,
Osaka .. for cotton	Yen. 3·16	per bale.

Witness No. 1

THE BOMBAY MILLOWNERS' ASSOCIATION

Written Statement dated 17th August 1926

SECTION I

General

1. The present depression in the cotton textile industry is more severely felt in Bombay than in Ahmedabad and up-country centres chiefly because Bombay is further from the cotton fields and the consuming markets of India. The Bombay mill industry has also to meet the full force of competition from foreign countries owing to its situation at the port of importation. As far as conditions in Ahmedabad and up-country centres are concerned, the Association would rather leave it to the mills there to answer the question as far as it applies to them. Naturally all mills in the same centre are not affected to the same extent.

2. The Association does not consider that the present depression is due to any extent to the operation of world factors; factors peculiar to India are mainly responsible. As shown in the Association's written statement to the Board, there are also certain special factors militating against the prosperity of Bombay mills, *e.g.*, higher labour charges, higher municipal taxation, etc.

3. The main causes of the present depression seem to be of a permanent character. Some of them, in the opinion of the Association, could be removed or off-set effectively by action being taken by the Government of India on lines indicated in the written statement.

4. Unless the present margin between the price of raw cotton and the price of yarn and piece-goods is increased, some mills in Bombay which are now working, will be compelled to close down.

5. Except for a few good mills with reserves, mills generally in Bombay are at present realising no profits and many of them are working at a loss, even without taking depreciation into consideration.

6. A further fall in the price of raw cotton might have a stimulating effect on consumption if followed by a steady low level of prices thereafter, but a continually falling market, such as there has been for the past few years, has a very detrimental effect on the extent of purchases made by dealers in the various consuming centres. Moreover, a further fall in the price of cotton would adversely affect all mills which have unsold stocks of cloth owing to the lower price which would be realised for future contracts. A fall in the price of cotton would also lower the ratio of cotton to total cost of production and would thus encourage competition from countries with depreciated exchanges.

7. The Association is of the opinion that to some extent, the present depression in the industry may be attributed to the lack of confidence in the stability of the present level of prices of raw cotton, yarn and piece-goods. During the last three years, cotton has been constantly dropping, and with it the prices of yarn and cloth, and piece-goods merchants in consequence have sustained losses. They are not in a sufficiently strong financial position to take any risks by buying on their own account and have to follow a policy of " hand to mouth buying. "

8. The Association considers that the depression can be attributed in part to the fact that the fall in the price of cloth has not corresponded with the fall in the price of cotton and that of other commodities. It should be remembered, however, that the cost of manufacture is twice that of pre-war years and the price of cloth cannot therefore fall to correspond with the fall in the price of cotton unless mills sell their finished products at a loss.

9-10. These are both economic questions which it would, in the opinion of the Association, be advisable for the Government of India to inquire into. To a certain extent, the Association believes that the purchasing power of the ryot has been decreased owing to the exchange policy of the Government of India.

11. The Association does not consider that the present depression in the industry can be attributed to lack of organisation among the millowners, either generally or in specific directions.

12. Extent of the depression in Bombay is reflected in the following figures :—

(a) *Mills which have changed hands.*—Planet, Gold Mohur, Diamond, Industrial, Hongkong, Assur Veerjee and New China.

(b) *Mills which have closed down for extended period since 1922.*—Raja Bahadur Motilal Pitty Mills, Diamond, Industrial, Jivraj Balloo, Planet, Hongkong, Dinshaw Petit and Emperor Edward.

(c) *Mills which have gone into liquidation.*—Planet, Gold Mohur, Jivraj Balloo, Diamond and Hongkong.

Section II

Nature and extent of competition beween imported goods and those of Indian manufacture

13. The Association has dealt with this matter fully in the original statement to the Board and has nothing more to add except that the loss of the China export trade was the cause of the expansion of the weaving industry of Bombay and it was chiefly because the Bombay cotton mill industry was shut out from its most profitable export market for yarn that it had to depend to an increasing extent upon the home market and to increase its production of cloth.

14. The Association has shown in its original statement, how far the present depression in the industry is due to increasing Japanese competition. So far the industry has not been seriously affected by the competition it has to meet from other foreign countries.

15. Yarn of counts under 40s.

Piece-goods.—Drills, sheetings chadars and coarse and medium counts dyed and bleached goods.

16. See Statement in Annexure A.

17. The Association is of the opinion that yarn and piece-goods imported from Japan are frequently placed on the Indian markets at prices which do not cover their cost of manufacture in India. The Association cannot say definitely that the prices of piece-goods imported into India from Japan and other countries are lower than the prices at which similar goods are placed in other foreign markets. The Association cannot furnish any evidence to show that such goods are placed in the Indian markets at prices which, after deducting freight and incidental expenses, would not cover the cost of production in the exporting country but are in a position to show that the prices after deducting freight and incidental expenses are considerably lower than the cost of producing similar goods in India.

18. It is not possible for the Association to say whether yarn or piece-goods exported from Japan or other countries are placed on any foreign markets at prices which are lower than the cost of production of similar Indian goods plus freight and import duty. The Association, however, emphatically asserts that owing to the special advantages which the Japanese mill Industry enjoys, the production of Indian mills is not in a position to compete with Japanese goods in foreign markets. Even in the home market, Japanese competition is most rigorous notwithstanding the 11 per cent. import duty. It is therefore obvious that the effects of the Japanese competition are more deadly in the foreign markets. The most conspicuous instance of how foreign markets are lost by India is afforded by the manner in which the China market has been lost, both as regards yarn and piece-goods. The fact is admitted by Government, as for instance, in the quotation given in paragraph 64 of the Association's original statement from the "Administration Report of the Bombay Presidency for 1923-24." As explained in paragraphs 115, 116, 117 and 118, Persia, Australia, Kenya and British Malaya afford additional instances of how Japan is stealing a march over India in foreign markets. In an article which appeared in the London "Times" of 3rd June, 1924, on the trade of Kenya and Uganda, it was stated, "The noteworthy feature in the present report is the rapid progress made by Japan as a competitor. The trade is being transferred from India and Burma which in 1923 had 63 per cent. and has only 24 per cent. now."

The following figures showing exports of grey goods to different countries in 1913-14 and again in 1925-26 bear eloquent testimony to the enormous diminution in exports of the staple production of Indian mills and this great set-back which the indigenous industry

has suffered in export trade is very largely due to the rigour of Japanese competition, the grossly unfair nature of which is very fully dealt with in the original statement :—

Exports of Indian manufactured grey piece-goods to foreign ports

Countries	1913-14	1925-26
	Yds.	Yds.
Aden and Dependencies	5,162,607	1,656,631
Strait Settlements including Labuan.. ..	871,321	462,199
Mauritius and Dependencies	1,111,906	421,108
Siam	2,128,970	734,890
Egypt	1,975,350	372,650
French Somaliland	1,835,480	62,732

Comparative figures of Japanese exports to different countries are not available, but the figures given in paragraph 119 of the Association's original statement show the tremendous strides Japan has been able to make in her export trade and which it is understood consists chiefly of greys.

19. The Association would like to point out that to obtain a true idea of the extent of competition in yarn, the comparison should be made with counts under 40s. The bulk of the imports of yarn from Japan and a considerable portion of the imports from U. K. are of 32s counts. Counts up to 40s can readily be made in Indian mills and it is only the price cutting policy of Japan which so far has prevented the more rapid development on the medium count trade in yarns. Finer cloths made from yarns produced in Indian mills have been increasingly produced during the last two or three years.

The figure of 1·3 per cent. which has been taken by the Tariff Board as the percentage of imports to production, is also misleading inasmuch as a comparison against the total production of Indian mills does not take into account the quantity of yarn consumed for weaving purposes. The comparison ought to be made with the quantity of yarn available for sale in India and produced by Indian mills. If such a comparison is made, the imports of yarn under 40s into India works out at about 15 per cent. of the yarn available for sale in India. The Association consider that there is a grave danger of an even further increase in the near future unless assistance is given to the industry.

20. The classes of piece-goods given in the Government of India statistics are so inadequately defined that it is difficult to estimate what percentage of imports from United Kingdom competes directly with Indian mill made goods, but the Association does not believe that the extent of competition has diminished since the war.

21. For the same reason the Association is unable to vouch for the accuracy of this estimate, but it is an undoubted fact that the very great bulk of imported piece-goods from Japan competes directly with the production of Indian mills.

22. See 20 and 21 above.

23. With the Rupee fixed at 1/6 gold, against a pre-war value of 1/4 gold, the price of foreign piece-goods in Rupees has been lowered by 12½ per cent. As the price of Indian piece-goods cannot be lowered to that extent, there will be a tendency for imports from abroad to increase. The tendency for imports from Italy and Japan to increase is further encouraged by the depreciation of the Yen and the Lira.

24. The Association considers that the imported piece-goods from Japan compete chiefly with Indian mill made goods, though some of their finer qualities probably compete with goods imported from United Kingdom.

25. As the Association has shown in the statement submitted originally the competition from imported piece-goods from Japan has been accentuated by the fall in the Japanese exchange.

26. Except in the case of Italy, competition from imported goods has not been accentuated by fluctuations in exchange. But if the Belgian and French Francs remain at their present level, there is a likelihood of greater imports from those countries.

27. This question has been fully dealt with in the Association's original statement. If the Rupee is stabilised at 1/6, the industry will continue to suffer in competition with other countries.

28. This question has been dealt with fully in the Association's original statement. There is no doubt that Japanese conditions of labour, especially the employment of women and children at night, enable them to compete to the detriment of Indian mill made piece-goods in both the home and export markets.

29. This question has been dealt with in the Association's original statement.

30. The Association is not in a postion to state what special credit facilities are obtained by exporting houses in foreign countries or is offered by them to Indian buyers.

31. Indian mills generally pay great attention to the requirements and preferences of Indian middlemen and consumers in regard to such matters as quality, finish and packing and the Association is not aware that Indian mills' methods of packing, etc., are inferior to those of Japan or the U. K., considering the distance the goods are transported.

32. No, the Association does not think so.

33. Drills, shirting, sheetings to mention the most important items. The development of the Indian yarn trade in counts 30s to 40s also has been seriously handicapped owing to the severity of Japanese competition in recent years in these counts.

34. No. Judging from the quantity of low and medium count piece-goods placed in the Indian markets at the present time, it would appear that there is no general growing preference on the part of the Indian consumers for finer qualities of piece-goods and yarn.

Section III

Internal Competition

35. It is a noticeable fact that lately most of the new mills that have been erected are either in Native States or in cotton producing districts. There has been an increase in the number of looms and spindles both in Bombay and Ahmedabad, but this increase has not been so great as in the rest of India. The establishment of mills in Native States and up-country centres has, to a certain extent, increased the internal competition which Bombay and Ahmedabad have to meet.

36. In the Association's opinion Bombay mills have a slight advantage in regard to climate as compared with other centres of the industry and slightly more efficient labour than most up-country mills. They also have a small advantage as regards the cost of mill stores and machinery and again in regard to the export trade, owing to their proximity to the chief port of India.

37. It is not possible to estimate exactly the relative advantages that mills in Ahmedabad and up-country centres have over Bombay owing to (1) proximity to large up-country markets, (2) proximity to coal fields and (3) proximity to sources of supply of raw-materials :

(*a*) *Proximity to markets.*—Ahmedabad and certain up-country mills being nearer to up-country markets like Delhi, Amritsar than Bombay have less freight to bear. This is especially the case in regard to Indore, Central Provinces and Cawnpore mills. Information is being collected regarding the advantages in regard to railway freight enjoyed by the various industrial centres when supplying goods to the chief consuming markets in India and these details will be forwarded to the Tariff Board in due course.

(*b*) *Proximity to coal fields.*—The Nagpur and Cawnpore mills, owing to their proximity to the coal fields of the country, have an appreciable advantage over Bombay mills in regard to the price of coal.

(*c*) *Proximity to the source of supply of raw materials.*—Ahmedabad mills being nearer the cotton producing districts can generally get their cotton laid down at the mills at cheaper rates than Bombay mills. Similarly the Cawnpore, Nagpur and Sholapur mills being situated in cotton growing tracts have certain advantages for the production of yarn and piece-goods from the cotton grown in their respective districts as compared with Bombay mills. In addition mills in certain Indian States have advantages over mills in British India owing to the imposition of export duties on cotton or import duties on piece-goods. Noteworthy examples are the Nizam's Territory and Indore State. Against these factors must be set the advantages which Bombay commands over most other centres in the purchase of Hubli, Dharwar and other cotton grown in the Southern Mahratta country and of foreign growths.

38 and 39. It is very difficult to estimate with any degree of accuracy to what extent the handloom industry competes with the mill industry. The attention of the Tariff Board is invited to the article* from the *Textile Manufacturer* based on information published by Mr. R. D. Bell, Director of Industries, Bombay Presidency, which throws some light on the question, but it should be noted that the figures of piece-goods given do not include the very considerable quantity produced from hand spun yarn, nor has any allowance been made for the quantity of yarn used for purposes other than handloom weaving nor the difference in weight of piece-goods produced from imported yarn of finer counts as compared with Indian yarn.

Section IV

Mill Management

40. The Association considers that with a few exceptions, the mills in Bombay, Ahmedabad and other industrial centres in India are carried on with reasonable efficiency and economy.

41. The Association does not consider that the Managing Agency System is at all defective in India. It must be remembered that if it had not been for the enterprise of Managing Agents, the textile industry of India would not at present exist. It was their enterprise and their money that brought the industry into being at a time when grave doubts were entertained as to whether cotton spinning and manufacturing could be carried on in India, in competition with the industrially advanced countries of the West and when capital was notoriously shy. The justification for the agency system of management is to be judged from the fact that every industry in India and not the cotton industry alone has been built up, and is controlled and directed by Managing Agents. It should be remembered that Managing Agents have a double function to perform in India as against a single function of the Managing Directors of England. In England, the Managing Director or Manager is a paid servant and only looks after the working of the mills; the Managing Agents in India not only have to look to the satisfactory working of the mills, but to finance them and have frequently suffered very severely by doing so. Banks in India will not lend money as they do in England to the mill company itself. They require not only the signature of the mill company for any loan made to the mill, but also require in addition the guarantee of the Managing Agents. The charges which have been made against the system in recent years cannot be substantiated but are to be expected in periods of great depression. They do not, in any way, affect the justification of a system which has proved its superiority over other systems of management as far as India is concerned.

42. Except in the case of about a dozen mills, most of the Managing Agents of mills in Bombay City and Island are paid commission on profits on the basis of 10 per cent. to 12½ per cent. on the gross profits earned before deducting depreciation, income-tax and super-tax paid by mills. The general trend of later years has been to pay commission on profits and it is considered that this system is preferable and fairer both to the Managing Agents and the shareholders of the Company.

43. The bulk of the Managing Agents in Bombay do not receive any commission whatsoever on the purchase of cotton, mill-stores, machinery and coal or on the sales of yarn and cloth, or on insurance, advertisements or other activities. Some of the mills receive a monthly allowance for office expenses. (*a*) The Association is not aware that any Agents receive commission on purchases of cotton. (*b*) To the best knowledge of the Association, no commission is paid by mills to Mill Agents on purchases of coal. As regards machinery and mill-stores, there are three firms of Mill Agents in Bombay who are also Agents for machinery and mill-stores and as such sell to their own mills. As Agents for machinery, etc., they may earn some commission, but even if commission is paid it should be remembered that this constitutes no disadvantage to the mill company or companies of which they act as Agents because sales are made to their own mills at the same price as to all other mills, and in any case the commission is not paid by the mill but by the English manufacturer. There are certain other firms with English officers or Agents, through whom they buy their stores and in these cases, the Agents usually receive a buying commission. (*c*) The Association does not know of any case where the Managing Agents charge any commission on the sale of cotton from the mills. Mills as a rule do not sell but only buy cotton. (*d*) One or two Managing Agents are guarantee brokers to their own mills and charge a commission on the sale of yarn and cloth, but this is not the general practice in Bombay. (*e*) Some Managing Agents are also Agents for English or Foreign insurance companies, and as such take a small commission on the business they place with such insurance companies as Agents, but this practice in no case

*Annexure G.

affects detrimentally the interests of the mills for which they are Agents, as the commission is paid by the Insurance Company. As regards advertisements and other activities, the Association does not know of any instances where commission is charged.

The Association is unaware of any instance of a minimum commission being payable where commission is paid on production.

44. The Association of Managing Agents with any other classes or kinds of business while not general is not uncommon. This Association of the Agents with more than one class of business has usually proved of advantage in the cotton trade as it has in the jute, coal, tea and other Indian industries.

Section V

Mill Finance

45. The Association does not think that the present general depression in the industry as far as Bombay is concerned can be attributed to either over-capitalisation of which there are very few instances in Bombay or of under-capitalisation. Most of the mills were started with a small capital and have been extended chiefly from reserves. In many mills, the original nominal capital remains same as it was 20 or more years ago, in spite of the size of the mill having increased greatly.

46. The present depression in the industry cannot be attributed to extension of mills and machinery when prices were at their highest as very few mills extended their machinery when the market was at its highest. As a matter of fact, delivery of machinery was difficult to obtain during the boom period. No new mill has been erected in Bombay since 1914.

47. We do not consider that there was an unduly liberal distribution of profits by mills in 1917 to 1923, except perhaps in isolated instances. Shareholders deserve good dividends when the mills make good profits, for, when the mills did not make any profits, shareholders received no return on their investments. In the boom years when dividends were large, very large amounts were also set aside to reserve and invested in Government loans as may, to some extent, be judged from Statement in Annexure B.

48. The Association has no criticisms to offer on the way in which the mills obtain their capital.

49. The system of obtaining working capital by means of short term loans (six months or yearly) is very general in Bombay. In the case of six months' loans the procedure adopted is more than ordinarily sound, because during the season when cotton is being purchased for the whole year, the mills require far more working capital than during the latter part of the year when stocks are getting bare.

50. It is not the common practice of the mills to invest funds in allied concerns, but in isolated cases, where the financial stability of the business is guaranteed by the Agents, funds have been so invested. The soundness of the procedure depends on the soundness of the ally.

51. Mills which have no reserves experience greater difficulty in obtaining finance than in pre-war years. Owing to the higher prices of cotton, machinery and stores, more finance is required. As a general rule, the public do not deposit their money in industries which are passing through a period of depression. At such times, depositors prefer to invest their money in Government securities and to a small extent, this may have aggravated the present general depression.

52. In Bombay good mills with large reserves can to-day get money on fixed deposit at 5 to 6 per cent., but some mills usually have to pay one or two per cent. over the bank rate. The Association has no authentic information as to the rate of interest usually paid by Japanese mills.

Section VI.—Costs of Production

(*a*) *General*

53. The Association considers that a mill should have at least 30,000 spindles and 1,000 looms to ensure efficient and economic working. A mill erected to these particulars in pre-war days would cost about Rs. 26 lacs, but, at the present day, Rs. 55 lacs in Bombay equipped with modern machinery as per statement sent by Sir N. N. Wadia to the President of the Tariff Board.

In Ahmedabad and up-country centres, such mills would cost about ten per cent. more if the same class of building were put up.

For a mill spinning average 20s yarn, and producing piece-goods out of 20s yarn, the approximate cost per spindle of a mill in 1914 was about Rs. 55 in Bombay. It is slightly over Rs. 100 to-day in Bombay. It is very difficult to make a comparison of the cost of establishing mills in United Kingdom and Japan and India. The mills in Lancashire are laid out for spinning 30s to 40s counts of yarn and therefore require less carding machinery for more spindles. It was reckoned in pre-war days that in Lancashire the cost of establishing spinning mills was about £2 per spindle. We are unable, except in a very general way, to find out the cost of erection in Japan. Taking a specific example—The Toyoda Boshoku Spinning and Weaving Mills Co., Ltd., with 34,000 spindles and 920 looms (capital subscribed, 5 million Yen) which, at the present rate of exchange, Rs. 130 to Yen 100 works out to Rs. 65 lacs. But as this mill was put up in 1918 when the price of machinery was at its highest, it is probable that the same mill could now be put up for 3¼ million Yen against 5 million Yen in 1918.

54. Generally speaking, most of the mills in Bombay City and Island are of a size, type and lay-out conducive to fairly economical working.

55. It is very difficult to ascertain to what extent the efficiency of Indian mills is hampered by the use of old machinery. Modern spinning mills making 20s yarn and working ten hours per day can manufacture 6¾ ozs. of yarn per spindle, but there are mills in Bombay which are using old machinery and are not producing much more than 5½ ozs. of yarn per spindle, from the same cotton. To that extent, mills with old machinery are handicapped, but against this loss in production consideration must be given to the fact that the older machinery was obtained at very much cheaper rates. The loss in production can therefore, in some cases, be set off against the gain obtained by the use of lower priced machinery.

56. Individual mills selected by the Board are supplying the information.

57. Please refer to the Association's original statement.

58. Please refer to the Association's original statement, paras. 83, 110 and 111.

59. The greater natural humidity of the Bombay atmosphere throughout the year as compared with up-country centres is an advantage, especially in weaving. The lack of natural humidity in up-country centres can, to a large extent, be overcome by the provision of humidifiers in all departments. The size of the plant necessary varies with locality of the mill and the cost with the system, but for most centres the size of the plant required up-country would be nearly twice that required for Bombay. There is a saving in the cost of production by the provision of humidifiers, more particularly in the weaving department but it would be almost impossible to give a general estimate of its extent for India as a whole.

(b) Raw Material

60. The method adopted by most of the mills in Bombay in purchasing raw cotton is to buy cotton from the Jaitha at Mazgaon, but a growing number of the mills have their own buying agents in the cotton growing districts who buy cotton, gin and press it and bring it to Bombay. Mills which buy direct from up-country and want good cotton have to purchase the whole of their requirements in January to May and store it at the mills until required. This entails an extra interest charge and, in the absence of a really satisfactory cotton futures market, renders cotton purchase somewhat speculative. Some of the mills which buy in the Jaithas adopt a policy of day to day buying which may be advantageous in a falling market. In Lancashire, the practice is to buy in Liverpool where they have a splendid system of hedging in the cotton futures market. Millowners freely use these hedges against their purchases of cotton or sales of cloth or yarn. Unfortunately, Bombay mills are handicapped to a large extent owing to the existence of five hedge contracts, the narrowness of which renders them liable to manipulation by speculators. The Association has little information as to how Japanese mills buy cotton, but as far as is known, almost the whole of the buying in Bombay is done by two firms who purchase cotton locally, ship it to Japan and sell it to spinners there, who can hedge their purchases in the sampin market.

61. Speculative purchases of either spot or futures cotton are rarely indulged in by Bombay mills. Usually mills buy cotton against their sales of yarn and cloth, but there is of course a very large speculative element in the cotton trade outside the mill industry. The element of speculation in buying futures could be reduced if there was a single hedge contract, as in Liverpool and New York, instead of the present five contracts.

The Association has made repeated efforts to get the number of hedge contracts reduced, but the progress made to a satisfactory futures market, up to now, has been most unsatisfactory from the viewpoint of the general trader who desires to cover his purchases of

cotton and sales of yarn and cloth and not to make a profit by selling or buying cotton futures when he has no intention of taking up actual cotton.

62. The Association does not think that cotton is purchased by Indian mills at prices higher than those paid for export cotton. There is, in the opinion of the Association, no reason why there should be any difference between the price paid by Indian mills and the price paid by exporters in the same market whether Bombay or up-country.

63. Not at all.

(c) Labour

64. See Association's original statement, and answer to question 83.

65. The Association considers that the distribution of bonuses between 1918-23 was warranted by the flourishing condition of the industry at the time. The distribution of these bonuses, however, has made it difficult for Bombay mills now to adjust wages to correspond with the fall in the cost of living from 1920-25.

66. By reducing the working hours from 12 to 10 per day, the production of spinning mills has gone down by about 16 per cent. and weaving mills by about 10-12 per cent. (See answer 83.)

67. For Bombay City and Island, the following conditions generally apply :—

(*a*) Number of spindles per frame 360-400, Lift of spindles 5″-7″ and number of ring spindles per competent spinner 160 to 180.
(*b*) Number of looms per competent weaver 2.
(*c*) Number of operatives per thousand spindles—33 (average of 7 spinning mills in Bombay).
(*d*) Number of operatives per 100 looms—87*.

68. A Statement prepared by the Bombay Dyeing and Manufacturing Co., Ltd., regarding wages paid since 1910 is given in Annexure C.

69. The average spinner in Bombay earns for his 160 spindles about Rs. 29 per month and an average weaver about Rs. 42 per month for his two looms. The rates paid for particular counts of yarn and types of cloth cannot be given as they vary from mill to mill according to the type of cotton used and the quality of yarn and cloth spun and woven.

70. The Indian textile industry is handicapped to a very considerable extent compared with the United Kingdom owing to the inefficiency of its labour. For example, while in India in counts up to 24s a man attends to 180 to 200 ring spindles, in Lancashire a girl would attend to 540 to 600 spindles. In India a man attends to 2 looms while in Lancashire a girl attends to 4 and sometimes 6.

In Ahmedabad, the labour is about as efficient as it is in Bombay. Labour is more inefficient in other up-country centres but very much less costly than in Bombay.

71. According to the 'Labour Gazette,' the absenteeism for the month of June 1926 was :—

(*a*) In Bombay City and Island 11·13 per cent.
(*b*) In Ahmedabad 2·54 per cent. and
(*c*) In Sholapur 15·5 per cent.

The Association has no record as to the extent of absenteeism in other up-country centres. Absenteeism always increases after pay days and holidays, but no detailed statistics on the point are not available showing the rate of absenteeism amongst males and females separately. To some extent, absenteeism is seasonal, but the rate in Bombay is always high. The variation at different times of the year can be gauged to some extent by a study of the monthly figures of absenteeism published in the Bombay 'Labour Gazette,' but in the Association's opinion, the figures under-estimate the absenteeism as far as Bombay is concerned, as no allowance is made for " budli " work in the Weaving Departments of most mills. An accurate estimate of absenteeism will only be possible after the completion of the 1926 Wage Census.

Attendance bonuses have been tried in many mills in Bombay, and a few still give them, but they have had little or no effect on absenteeism.

72. The " budli " system materially affects efficiency in Bombay mills. Unfortunately, the system has to be adopted to fill up the gaps caused by wholesale absenteeism. In the Spinning Department sometimes when a spinner is absent his neighbour has to be given two sides and production at such times suffers heavily.

* The figure is for an up-to-date Bombay mill and includes the following departments—Winding, Warping, Sizing, Weaving, Calendering, Folding, Baling and share of engine room and mechanics shop staff.

73. The Association has no records of the rate of labour turnover in Bombay, Ahmedabad or up-country centres.

74. Ahmedabad has an advantage over Bombay, in regard to the continuity of labour-supply, having a much more permanent factory population, and a smaller amount of absenteeism. In up-country centres the position varies, but in most centres there is difficulty in obtaining labour at certain seasons of the year. We do not think that continuity of labour-supply can be secured by the grant of bonuses or the institution of provident funds. These methods have been tried in Bombay, but have contributed nothing towards the solution of the labour problem owing to the migratory habits of the workmen.

75. Statement in Annexure D gives the names of Bombay mills which have provided chawls for their workmen. At the present time, mills are not developing the practice of housing their workmen for the reason that the solution of the housing problem was undertaken by the Government of Bombay some years ago, and a contribution of Rs. 10 to Rs. 12 lakhs per annum is paid by the mills towards the scheme. Unfortunately the scheme has been a conspicuous and expensive failure and the chawls erected by Government have not been taken up to any extent. The unpopularity of the Government chawls has resulted in overcrowding in the mill chawls, but the position in this respect may improve now that the rents have been reduced in the Government tenements. The Association is of the opinion that efficiency might be improved if the operatives could be taught to appreciate the improved accommodation now available in Bombay, but owing to illiteracy and the transitory nature of their work in the mills, any improvement in efficiency is bound to be slow. The return on capital invested in mill chawls is merely nominal and is generally in the neighbourhood of 1 per cent.—1½ per cent., though in some cases it is even less than this.

76. Chiefly through the efforts of the Bombay Millowners' Association, the Victoria Jubilee Technical Institute has provided, in addition to the ordinary full time courses in spinning and weaving, special courses of theoretical instruction in spinning and weaving for mill apprentices. The classes in connection with these courses are held for two days in a week, and the course is completed under ordinary circumstances in two years.

Apprentices are required to have passed the School Final Examination or they have to pass an Entrance Examination held by the Institute authorities. A nominal fee of Rs. 20 per year is collected from each apprentice. In 1923-24, 35 apprentices availed themselves of the opportunity of getting instruction in the theoretical part of their work and of these 25 presented themselves for the annual examination, of whom 12 passed. In 1924-25, the corresponding figures were 49, 38 and 29.

The Association understands that the Bombay Social Service League has recently established a Technical School, equipped with machinery supplied free by the mills, wherein mill operatives are given practical instruction in spinning, weaving, etc. The Association is not aware to what extent this school is patronised by mill hands. Theoretically more extensive facilities for technical education should lead to greater efficiency of labour, but up to now they have had little effect owing to the illiteracy of the workpeople.

77. See statement in Annexure E showing the wages paid in other industries from 1918-1922 inclusive. They are extracted from the Government publication "Prices and Wages in India" and should be compared with the Bombay Wage Census figures.

78. The operatives have not improved their standard of living though they spend more money.

79. Northrop looms have been tried in Bombay in some mills, but so far they have not been successful. It is considered that the installation of this class of automatic looms is only likely to be profitable in such mills as the Buckingham and Carnatic Mills in Madras where they weave the same kind of cloth year in and year out. Uniformity of production is one of the main essentials which renders the use of automatic looms advantageous and this is impossible in Bombay where qualities of cloth are constantly changed. Other factors militating against their general adoption in India are the extreme reluctance of the operatives to attend to more than two looms no matter what the type, and the difficulty of obtaining the very expert supervision necessary.

80. There is no reasonable prospect of training operatives to attend more spindles and looms in the near future, but if a permanent factory population existed in Bombay something might be done.

81. See Association's original statement.

82. The Association does not consider it possible in Bombay at present, owing to aversion to night-work and the prohibition of the employment of women on night-work, to introduce double shift working in mills in Bombay.

83. The most conspicuous instance of legislation which has increased the cost of production is afforded by the Indian Factories Act, 1920.

The reduction in hours from 12 to 10 has resulted on the average in 13 per cent. less production over all departments.

The decrease in hours has increased the labour cost per lb. of cloth by approximately 13 per cent. For the mill whose cost of production figures are given in the Association's original statement, it has meant an addition of approximately 5·2 pies per lb. to the cost of production.

Again, under the Workmen's Compensation Act, employers have to pay compensation to the operatives in cases of accidents, the amount of the compensation being dependent on the nature of the accident. Mills have accordingly to insure themselves against this risk, the present rate charged being 3 annas per cent. on the total amount of wages paid; the rate last year was 4 annas per cent. About 60 mills have insured themselves against risks under the Workmen's Compensation Act with the Bombay Millowners Mutual Insurance Association, Ltd., and the total premia paid by these mills is about Rs. 1,25,000 per year.

The cess levied under the Cotton Cess Act has been already commented upon in paragraph 107 of the statement, and the Town Duty on cotton levied under the Municipal Act has been commented upon in paragraph 111.

(d) Overhead Charges

84. Details are being collected and a separate statement will be submitted.

85. Insurance is effected against risks of damage to stocks, buildings and machinery by fire, riot or civil commotion and in some cases against loss of profits during enforced stoppages. Risks under the Workmen's Compensation Act are also insured by mills. The method of effecting insurance and the amounts for which mills usually insure are satisfactory.

86. The Association considers depreciation should be allowed at the following rates:—

(*a*) 2½ per cent. on block cost for buildings;
(*b*) 5 per cent. on block cost of machinery for spinning and weaving machinery;
(*c*) 7½ per cent. on block cost of bleaching and dyeing machinery and electrical equipment.

These allowances are given by the Income Tax Department when assessing the mills to income tax. The method of utilising the depreciation fund varies in different mills. Some deduct it from the block cost and some mills put it to a special account. In certain mills this depreciation fund had been utilised for extension, but the eal purpose of the depreciation fund, in the Association's opinion, is the renewal of machinery and buildings. It is considered that depreciation should be reckoned as a charge on production and not on profits.

87. The practice varies in different mills. When striking the Annual Balance, mills usually value their stocks of cotton at the prices in the market on the closing date. If the ruling prices are higher than the cost price, mills value them at the cost price. Stores are valued in a similar manner. Manufactured goods are valued by the majority of mills at their cost price, by others at or under the market price. There is no independent valuation by auditors and the Managing Agents' certificate as to the value of the stocks is usually accepted by the auditors. It is extremely doubtful whether auditors would be capable of valuing the stocks owing to their lack of expert knowledge of the trade, the prices of cotton, yarn, cloth, stores and the thousand and one articles used by the mills.

88. In certain mills there is a running audit in addition to the annual or half-yearly audit. In most mills, however, there is no running audit but only a half-yearly or an annual audit.

(e) Sales

89. Most mills employ Commission Agents who effect sales and guarantee the solvency of the buyers. A few mills have their own selling organisation. It is a matter of opinion as to which system achieves the best results and no figures in support of either system are available.

90. As far as the mills are concerned the system of sales on long credit does not exist.

91. This question can best be answered by the dealers, but the Association is in a position to give the following information regarding discount and brokerage :—

The rates for brokerage, discount and sahi are the same to-day as in 1913 for both Indian and imported piece-goods.

On imported goods, grey and bleached, discounts of 3 per cent. and 4 per cent. respectively are given to the wholesale dealer if payment is made within 7 days. An extra $\frac{1}{8}$ per cent. discount is given against payment in cash.

On Indian piece-goods brokerage is allowed at the rate of $\frac{1}{4}$ per cent. but in the case of grey goods sold by the pound the discount is $\frac{1}{8}$ per cent.

On coloured and fancies the discount given is $\frac{3}{4}$ per cent. On goods sold by the piece a discount of $3\frac{1}{8}$ per cent. is given if payment is made within 3 days.

On both imported and Indian piece-goods it is customary to give a "Sahi" of Re. 1 per bale to the dealer, but in some cases this amount is increased slightly.

On locally made yarn the brokerage is $\frac{1}{4}$ per cent. and discount $\frac{1}{8}$ per cent. On imported yarn brokerage is $\frac{1}{4}$ per cent. and discount $1\frac{1}{8}$ per cent.

On imported double yarns the discount is $\frac{1}{8}$ per cent. and brokerage $\frac{1}{4}$ per cent.

These rates have remained unchanged since 1913.

92. Yes, dealers in piece-goods experience greater difficulty in obtaining finance than in pre-war days. The facilities extended to them are less, owing to their weaker financial position brought about by their losses during recent years. It is very difficult to estimate to what extent this contributes to the depression, but it is a well-known fact that the loss of their capital has forced dealers to adopt a hand to mouth policy in buying.

(f) Transport

93 :—

From	To	Particulars regarding freights and rebates	Source of information
India (Bombay) ..	United Kingdom.	17 nett for cotton per ton of 40 c. ft.	Volkart Brothers.
	Do. ..	17/6 do. do.	David Sassoon & Co.
	Do. ..	18 do. do.	Patel Cotton Co.
Do. ..	Japan ..	Y. 4·56 per bale, subject to a discount of Y. 1·40 per bale to Japanese Spinners.	Volkart Brothers.
Do. ..	Italy	17 per ton. of 40 c. ft. ..	Volkart Brothers.
	Do. ..	16 do. ..	David Sassoon.
America (Galveston).	United Kingdom (Liverpool).	65 cents. per 100 lbs. (prepaid).	Thomas Smith & Co.
	India (Bombay)..	80 cents. do. do.	Do.
	Italy (Genoa) ..	72 cents. do. do.	Do.
	Japan ..	(Not available).	
Egypt ..	United Kingdom.	(Not available).	
	Japan ..	(Not available).	
	Italy ..	(Not available).	
	India ..	Rs. 45 per ton ..	Khedivial Mail Line.

From	To	Particulars regarding freight and rebates	Source of information
Uganda ..	United Kingdom.	18/9 per bale subject to a discount of 10 per cent. on Conference Lines. (This freight is from Killindini to Liverpool.)	W. H. Brady & Co., Ltd.
	Japan ..	There are no direct sailings between African Coasts and Japan. Cotton is taken direct to Bombay and transhipped from there to Japanese steamers.	Do.
	Italy ..	21/6*d.* per bale of 400 lbs...	David Sassoon & Co.
	India (Bombay)..	8*s.* nett per bale ..	W. H. Brady & Co.

94 :—

From	To	Particulars regarding freights and rebates	Source of information
United Kingdom ..	Bombay ..	£5 per ton weight or if not exceeding 85 c. ft. per ton 60 per ton weight plus 10 per cent. Rebate 5 per cent. immediate and 10 per cent. in six months' time.	Thos. Smith & Co.
	Do. ..	52/6 per ton less 10 per cent. (Present rate.)	David Sassoon & Co.
	Do. ..	55 nett (average for 1925) ..	Grahams Trading Co.
Italy ..	Do. ..	(Not available).	
Japan ..	Bombay ..	Y. 14·5. Less 10 per cent. rebate (per ton).	H. B. M.'s Consul, Osaka.
	Rangoon ..	Y. 14·51. do. ..	Do.
	Calcutta ..	Y. 27·5. do. ..	Do.
	Madras ..	Y. 25·00. Less 5 per cent. rebate up to Singapore.	Do.
	Karachi ..	Y. 19·50. Less 10 per cent. rebate up to Bombay (for direct sailing).	Do.
		Y. 22·50. Less 10 per cent. rebate up to Bombay (transhipped from Bombay).	Do.

95. In certain instances, Bombay, Madras and Calcutta are given specially low freight rates where the factor of competition with sea-borne ffeights has to be considered.

Section VII.—Suggestion as to Remedial Measures

(a) Suggestions put forward by the Bombay Millowners' Association

96. The cost of stores varies with the count of yarn and type of cloth. For an average mill in Bombay the cost of stores works out at about 2 per cent. to 3 per cent. on the cost of yarn and 5 per cent. to 8 per cent. on the cost of cloth. The exact cost of stores for individual mills will be available from the detailed statements to be supplied by them direct to the Tariff Board.

97 and 98. The Association's views have been stated in the original statement.

99 and 100. The Association is strongly of the opinion that a reduction in railway freights on cotton, yarn and piece-goods manufactured and sold in India is very necessary. The scales are very high as compared with pre-war years and a reduction could well be made in the interests of the development of the indigenous industry, since the railways during the last two or three years have made handsome profits. Annexure F gives the information at present available to the Association regarding the level of freight rates in 1913 and 1926. In the Association's opinion there is no justification for the very great increases shown by the figures, more especially when consideration is given to the fact that haulage costs have been very materially reduced in recent years owing to the heavy fall in the cost of coal and Railway stores.

101. A separate statement will be submitted.

102. Trade Commissioners: The example set by Japan in this respect might well be followed. The following extract from the *Japan Chronicle* of 8th April 1926 in this regard is enlightening :—

> "The 'Asahi' reports that the scheme of the Foreign Office to further Japan's economic development in Persia and the South Seas is making fair progress. The Supplementary Budget for the Fiscal year, 1926-27, includes an item relating to investigations into trade development in the South Seas involving Yen 24,299, and another item bearing on similar investigations in Persia and neighbouring countries to Yen 56,204. With regard to the investigations into economic conditions in Persia and neighbouring countries, it was started soon after Mr. Obata, Ambassador to Turkey, arrived at his post some time ago, and judging from the results of the sample exhibition of Japanese exports which was held at Constantinople, it is hoped that it is not altogether impossible for Japanese goods to be exported to the Balkans, Asia Minor, Persia and Afghanistan to the amount of Yen 100,000,000 a year. At a conference on investigations into trade development, which is to be held at Constantinople for 10 days from the 20th instant, it is expected that recommendations to be submitted to the Foreign Office will be considered and adopted. These recommendations will furnish valuable materials for reference for those Japanese traders who wish to export their goods to those countries. In the meantime, the Government is contemplating establishing Consulates where they are required for trade purposes.
>
> o
>
> As regards trade development in the South Seas, the Foreign Office is to call in Tokyo a Conference of Consuls appointed to Calcutta, Batavia, Singapore, Bombay, Sydney, Manila, Hongkong, Haifong, Saigon, Rangoon and Bangkok, at which will also be present the officials of the Departments concerned and business men chiefly interested in the South Sea trade. At this Conference, matters relating to Japan's economic development in those districts will be thoroughly studied."

The Association would also like to draw the attention of the Tariff Board to the manner in which the Government of India have dealt with the question of import duties in Turkey and in Greece which have recently been increased against India, and regarding which the President of the Tariff Board has been separately addressed.

103. *(a) and (b)* By an export bounty to make up for the rise in the value of the rupee as compared with 1913-14.

(c) New markets might be developed if exact information as to the needs and extent of new markets were regularly supplied by Trade Commissioners.

104. See Association's original statement.

105. The Association considers that such protection should, in the first instance, be given for a period of five years. The necessity of extending the period during which protection should be given would then be further considered by the Tariff Board.

106. The Association considers that the imposition of a protective duty might possibly result in a small temporary increase in the price of all yarn or cloth if the price of cotton remains stationary; but this increase would not be anything like 13 per cent. owing to the competition between Indian mills. The increase in the cost of living of the lower and middle classes which would result from the slight rise in the cost of Indian cloth would be imperceptible. The bulk of imported piece-goods emanate from U. K. and are used by the wealthier classes, *i.e.*, by about 20 per cent. of the population. On this basis the quantity of Indian mill made cloth used annually by the lower and middle classes works out at about 6 yards per head. Therefore, even if the price of Indian piece-goods rose by 1 anna per lb. it would only mean an annual increase of 1½ annas per head in the cost of living and this increase would not occur if good crops of cotton continue to be raised in this country and in America and would not be felt in any case if good crops of cereals, upon which the prosperity of the great bulk of the population depends, are raised.

107. The result of the imposition of the proposed additional duty would mean an increase in the sales of Indian cloth and to that extent the displacement of foreign cloth.

108. The Association considers that internal competition between Indian mills would operate to prevent any undue increase in the price of yarn and cloth throughout the country and not only in local areas.

109. Yes. The Association considers that it would be in the interest of India and Indian industrial development to increase the import duties on cloth and yarn as the cost to the consumer would be negligible. Moreover, in this connection the Association would like to point out the great disparity which exists between the 11 per cent. duty on imported piece-goods compared to other more important commodities, as for instance sugar, upon which the Tariff of Rs. 4-8 per cent. works out upon the present price at 43 per cent.

110. The import duty on cloth was increased to 11 per cent. from 31st March total and the following figures show the quantity of piece-goods imported and the 1921 quantity of piece-goods consumed in India :—

Year	Imports in millions of yds.	Quantity consumed in millions of yds.
1920-21	1,491·1	2,864·8
1921-22	1,079·9	2,597·1
1922-23	1,577·1	3,071·0
1923-24	1,466·6	2,942·1
1924-25	1,800·0	3,535·3
1925-26	1,563·7	3,317·7

The figures of consumption given above go to show that there has been no diminution in the total consumption of cloth since the imposition of the higher duty except in years when cotton prices were abnormal. Reference should also be made to paragraph 131 of the Association's original statement.

111. No, the Association considers that an increase in the duty would not act as a restriction on the consumption of yarn and cloth, for the reason that the price of cloth is subject to variation by so many other important factors as far as the purchaser is concerned. The implication underlying the second portion of the question is that the consumption of piece-goods in India in 1924-25 according to paragraph 121 of the Association's statement, was 638 million yards below the figure for 1913-14, and an increase in the import duty of cloth might still further check its consumption. It should, however, be noted that the figures given in paragraph 121 indicate that the consumption of cloth in India in 1924-25 was greater than in any of the preceding 17 years, barring the two abnormal years 1912-13 and 1913-14 when imports were particularly heavy owing to low prices of American cotton. It is difficult to understand why such an abnormal year as 1913-14 should have been selected for purposes of comparison with the year 1924-25, but since the quantity available for consumption in India in 1924-25 was higher than in any of the preceding years except 1912-13 and 1913-14, the implication that there was a reduction in the consumption of piece-goods in India after the import duty was raised in 1922 and a still further falling off might occur if the import duty were increased is without foundation.

112. The Association does not think that to any material extent an increase in the duty of yarn and cloth would, by diverting yarn and cloth from India, unfavourably affect the position of Indian yarn and cloth in their overseas markets, since if the home market is assured to Indian mills they would be in a much better position in regard to any exportable surplus production.

113. The Association does not consider that there will be any effect on the handloom industry if the duty on imported yarn and cloth is raised. The fact that the imposition of the 5 per cent. duty on imported yarn in 1922 has had no prejudicial effect on the quantity or price of yarn supplied to the handloom industry is an indication that the raising of the import duty to 18 per cent. would not adversely affect that industry, but it would indubitably tend to increase the market for Indian mill made yarn of 32s and over and might eventually result in the mill industry in India supplying practically the whole of the yarn requirements of the handloom industry, except in the highest counts.

114. See answer to special question 1.

115. See answer to special question 2.

(b) Other Suggestions

116. In regard to the suggestion for imposing an export duty on cotton divergent opinions are held not only by the public at large but even by the members of the Association. The Association, therefore, will leave individual members to express their views to the Board. It should be stated, however, in this connection that in the Association's opinion it is a well established fact that the present exchange policy of the Government of India has done far more harm to the cultivators of cotton than any export duty on cotton could possibly inflict even if it could be established that the duty would be passed on to the cultivator. The Association maintains that on the present basis of Rs. 320 for Oomra cotton cultivators are getting about Rs. 40 less than they would have received with the Rupee at 1/4 for the simple reason that cotton being an international commodity, its price in all markets of the world is based on the gold value of the crop and is of course chiefly regulated by the price of American cotton. As regards the incidence of the duty, members of the Association hold divided opinions.

The Association is not in a position to state, whether in the event of the principle of the imposition of an export duty being accepted by the Tariff Board, what the rates should be. Amongst the advocates of a duty, some are of the opinion that a nominal duty of Rs. 5 per bale should be imposed while others consider that if a duty is to be of any assistance towards countervailing unfair foreign competition in both the home and export markets, it should be placed at a higher figure. In either case, it is the opinion of the Association that if the duty is levied, the proceeds should be utilised entirely for the benefit of the cultivators of cotton; partially in schemes for the improvement of the staple of Indian cotton and in other schemes for the good of the cultivator, such as the distribution of free seed.

(a) In paragraph 44 *(b)* of the Association's original statement, it is shown that 9 million people of India obtain their livelihood from cotton growing of which Government in their Reports have stated that more than 50 per cent. are day labourers and not actual growers of produce. Thus, leaving out of account that class of cultivators who grow cotton solely for their own requirements, the maximum number of persons affected by an export duty on cotton would be 4½ millions. How far this would affect them, if at all, is a large economic question which it is impossible to attempt to answer. In the Association's opinion it would be impossible for anybody to establish definitely what would be the incidence of an export duty on cotton unless a tax was actually imposed.

An export duty of Rs. 8 (Halai) is imposed in Hyderabad, but so far nobody has maintained that it has affected the offtake, prices or area of the cotton grown in the Nizam's dominions.

(b) The law of supply and demand and the world price of cotton regulate the area placed under cotton each year. If Indian cotton became dearer in comparison with American cotton, American cotton would be consumed in greater quantities, but as this would eventually raise the price of American cotton, parity would rapidly be established and no reduction in the acreage of Indian cotton would be likely to ensue.

It should be remembered that until last year there was a world shortage of cotton and it is this factor and not the imposition of an export duty which chiefly controls the acreage of cotton planted in various countries of the world,

(*c*) and (*d*) The factors affecting price are the same as those affecting acreage.

117. Indian cotton has been used to an increasing extent in recent years and at present, at any rate, certain growths of short and medium stapled Indian cotton cannot be substituted to any extent by cotton grown anywhere else.

118. *Facilities for cultivators.*—The Association considers that the establishment of co-operative banks to enable cultivators to hold their cotton when necessary, on better terms as regards interest than are at present available to them, would prove of material assistance.

Facilities for dealers.—As regards dealers, exporters and Jaithawallas greater facilities might be given on the lines adopted in America where advances up to 90 per cent. of the value of cotton held by them is given at cheap rates. Similar facilities would assist in reducing the heavy charges which have to be put on to the price of cotton by middlemen and might increase consumption owing to the reduction in price which it would be possible to make to the ultimate consumer.

Facilities for the industry.—At present, banks do not give trading facilities freely to the industry. As explained in answer 4 loans are only granted to mills upon the dual security of the mill and the Managing Agents and in the Association's opinion there is no reason why this practice should be adopted when similar restrictions are not applied in other countries.

119. The Association does not know in what directions their organisation for buying and selling could be improved, but would be most willing to consider the feasibility of any recommendations which may be made for improving the organisation of the industry in regard to purchases and sales. They are, however, opposed to the formation of anything of the nature of Trusts as detrimental to the general interests.

120. The chief reasons for the slow progress in finer counts is dealt with in the Association's answer to question 19, but if Indian cotton of better staple could be made available to a larger extent, and if the efficiency of labour could be increased, the production of finer counts of yarn and cloth might be developed with advantage. There has been some development in the production of finer yarn and piece-goods, but the rate up to now has necessarily been slow. Progress in the production of finer goods will also be stimulated in the future if the efforts of the Indian Central Cotton Committee result in the more extensive production of staple cotton.

121. Mills in India are not at present equipped for specialisation to any great extent and such a policy would not, therefore, be possible at present, nor would it have a beneficial effect owing to the constant changes in demand from month to month and year to year.

122. Mills in Bombay as well as in up-country centres have for some years been extending their range of production and are paying greater attention to the special requirements of the Calcutta, Cawnpore, Delhi and Amritsar markets. The Association does not consider that there has been any lack of attention to the needs of these markets in the past.

123. Greater attention is being paid to bleached and dyed goods and also to the utilisation of waste for the manufacture of blankets, etc. Development in the manufacture of printed goods has not been found possible owing to the prohibitive cost of the special machinery required and the scale on which such an industry would have to be established.

124. The remission of the Cotton Excise Duty was enforced with effect from 1st December 1925 and mills made a corresponding allowance to their customers on all forward contracts made prior to that date. The benefits which were expected from the remission of the Excise Duty have certainly accrued, but owing to the very heavy losses mills are making and the fact that the Japanese were in a position to reduce their prices by $3\frac{1}{2}$ per cent. or more, these benefits are not as clearly perceived as would have been the case if the industry were in a more prosperous condition and was not experiencing unfair competition.

125. The Association is unaware of any other contributing causes than those dealt with in the original statement and in the Questionnaire.

126. The Association have no further suggestions to make.

SPECIAL QUESTIONS

1. By a scientific tariff the Association means a fixed duty per lb. on the different classes of cotton goods imported into India. The Association has in mind a Tariff somewhat similar to that in force in Japan. The Association considers that a heavy duty should be levied on coarse goods and lower counts of yarn, a moderate duty on medium classes of goods and a low rate of duty, or the present rate, on higher counts and on special types of goods which cannot be manufactured in India economically.

2. We consider that the additional duty which should be imposed to enable mills to provide for depreciation on plant and machinery, etc., should be about 4·5 per cent.

3. We enclose herewith the last two reports of the Millowners' Mutual Insurance Association, Ltd., for the information of the Board.

At present the Association does not contemplate any other schemes for fire or other insurance.

ANNEXURE A

Statement showing prices ex-mills of certain principal qualities and prices at which similar goods imported from Japan are sold in Bombay

Quality numbers	Class of goods	Dimensions	Count of		Reed	Picks	No. of Warp ends	Tape length in yds.	Size per cent.	Production in 10 hrs.	Cost per piece	Selling price	Japanese price in bazar	Less 2½ per cent. selling Comm. and 1½ per cent. Brokerage, etc.	Less 11 per cent. duty	Nett C.I.F. price of Japanese Goods
			Warp	Weft												
1	2	3	4		5		6	7	8	9	10	11	12	13	14	15
										Lbs. ozs.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
44000 ..	Shirting ..	44×38×6¾	40s	44s	2/56	48	2720	40	28	7 8	9 10 3	11 1 7	..	..	..	..
36210 ..	Do. ..	38×38×5⅞	36s	46s	2/56	56	2350	40	12	6 0	9 8 11	11 2 5	..	..	..	..
AAAA ..	Do. ..	36×40×12¾	24s	24s	2/60	64	2360	43	40	10 8	12 7 7	14 6 0	13 0 0	12 9 9	1 4 0	11 5 9
"Asli" ..	Do. ..	36×40×12	24s	26s	2/60	64	2360	43	42	10 8	12 3 9	14 1 6	13 0 0	12 9 9	1 4 0	11 5 9
"Toyo" ..	Do. ..	36×40×12	24s	26s	2/64	64	2520	43	34	10 8	12 8 0	14 5 9	14 0 0	13 9 3	1 5 6	12 3 9
	Do. ..	36×40×5½	36s	36s	2/52	42	2050	42½	11	8 0	7 11 7	8 13 5	7 0 0	6 12 8	0 10 9	6 1 11
	Grey Drill ..	30×40×13½	14s	14s	3/40	42	1940	44	16	20 0	10 6 9	11 8 4	13 0 0	12 9 9	1 4 0	11 5 9
3938 Gosho ..	Shirting ..	38×38½×10	30s	30s	64	60	2680	40½	40	10 6	10 12 11	12 5 8	12 8 0	12 2 0	1 3 3	10 14 9
9999 Japan Cotton ..	Do. ..	44×38½×10½	30s	36s	68	68	3290	40½	17	9 2	13 4 3	15 2 7	15 0 0	14 8 9	1 7 1	13 1 8
3640 Gosho ..	Sheeting ..	36×40×13½	14s	14s	40	44	1600	43½	28	18 11	10 4 5	11 6 11	12 0 0	11 10 3	1 2 6	10 7 9
Wakayama Mfg. Co., Ltd.	Shirting ..	36×40×12	24s	24s	60	64	2380	42¾	34	11 7	12 0 9	13 11 10	..	..	..	..

ANNEXURE B

The Bombay Cotton Mill Industry

Year	Capital Paid up	Reserves including Carry Forward	Original Cost of Land, Buildings and Machinery	Land, Buildings and Machinery after depreciation	Annual depreciation written of	Net Profit or Loss	Dividend	Percentage of Dividends to Paid-up Capital	Reserves	Provident Fund	Carry Forward	Number of Mills
1	2	3	4	5	6	7	8	9	10	11	12	13
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	
1917 ..	7,65,67,395	2,36,35,705	17,98,21,456	12,12,46,916	85,65,934	3,02,06,860	1,69,62,045	22·2 on Capital	80,06,030	1,07,893	50,40,892	66
1918 ..	8,10,45,715	3,49,59,777	19,52,73,733	12,76,21,853	87,87,908	2,28,07,546	1,91,95,613	23·7 ,,	38,23,022	48,692	2,59,781	63
1919 ..	9,40,10,530	3,78,77,058	20,94,82,990	12,89,11,504	1,44,39,246	6,15,66,648	3,77,20,074	40·1 ,,	1,90,36,873	2,06,414	46,03,287	66
1920 ..	16,98,67,485	6,53,25,223	33,50,48,254	23,70,93,186	1,63,75,066	10,10,63,174	5,98,15,856	35·2 ,,	3,18,18,035	3,02,519	91,26,764	77
1921 ..	17,83,11,137	9,80,94,780	38,08,54,759	26,23,30,072	1,81,78,737	8,46,44,605	5,34,78,623	30·0 ,,	3,32,60,455	3,37,813	24,32,286	77
1922 ..	17,96,28,996	12,44,45,090	42,94,89,978	29,54,90,301	1,38,41,139	3,87,51,591	2,94,44,334	16·4 ,,	1,38,03,308	63,402	45,50,453	77
1923 ..	19,18,62,213	*13,98,14,803	46,54,95,302	*30,71,58,766	*1,81,82,222	*1,28,13,117	9,369,467	4·9 ,,	9,72,092	....	*2,12,10,492	81
1924 ..	19,28,15,936	*12,13,10,342	46,76,48,463	*30,15,80,391	*1,83,54,013	*2,42,77,106	60,84,686	3·2 ,,	63,67,302	....	*2,39,94,490	79

Note.—Bold type figures indicate—
Column 7 Net loss
,, 10 Withdrawals from Reserves
,, 12 Balance Loss carried forward

The figures for 1923 and 1924 marked * are arrived at after making adjustments stated in Messrs. A. F. Fergusson & Co.'s letter.

ANNEXURE C

Comparative statement of wages per month (excluding bonus)

—	Standard Muster 1st April 1910	Standard Muster 1st April 1918	Standard Muster 1st January 1918 including 15 per cent	Standard Muster 1st January 1919 including 35 per cent.	Standard Muster 1st February 1920 including 55 per cent. and 75 per cent.	Standard Muster 1st November 1920 including 70 per cent. and 80 per cent.	Standard Muster 1st May 1921 including 70 per cent. and 80 per cent.	Standard Muster 1st April 1923 including 70 per cent. and 80 per cent.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Blow Room tenters	12 0 0	14 0 0	17 4 0	20 4 0	23 4 0	25 8 0	25 8 0	29 0 0
Card Room	9 0 0	11 8 0	15 0 0	17 8 0	20 0 0	22 0 0	23 12 0	27 4 0
Speed Frame	18 0 0	19 9 0	24 0 0	28 8 0	36 12 0	37 12 0	37 12 0	3 12 0
Ring Frame side boys	13 0 0	15 0 0	20 0 0	23 8 0	27 0 0	29 12 0	29 12 0	29 12 0
Winders	12 8 0	12 8 0	14 8 0	16 12 0	19 4 0	21 4 0	21 4 0	21 4 0
Weavers	22 0 0	22 0 0	27 8 0	32 0 0	41 8 0	42 12 0	47 12 0	47 12 0
Folders	14 0 0	14 0 0	17 4 0	20 4 0	23 4 0	25 8 0	25 8 0	29 0 0

ANNEXURE D

Housing Accommodation

The following list gives the particulars regarding Housing Accommodation provided by certain members of the Bombay Millowners' Association to their operatives

Name of Mill	No. of operatives employed	No. of rooms provided	Rent charged per room	No. of rooms not occupied
Khatau Makanji Mills ..	2,904	26	2 @ Rs. 10-8-0 each 2 @ ,, 7-8-0 ,, 22 @ ,, 5 ,,	*Nil.*
Assur Veerjee Mills ..	1,986	148	Rs. 6 ..	*Nil.*
Jacob Sassoon Mills ..	5,413	190	Rs. 4-8-0 ..	*Nil.*
Meyer Sassoon Mills ..	2,361	36	16 @ Rs. 3-13-0 each 13 @ ,, 9-6-0 ,, 7 @ ,, 4-12-0 ,,	*Nil.*
David Mills	3,819	255	221 @ Rs. 7 each 34 @ ,, 8 ,,	*Nil.*
Kohinor Mills	3,220	801 including 20 shops.	*Single Rooms* Rs. 7-8-0 Ground Floor. ,, 8-8-0 First ,, ,, 9-8-0 Second ,, *Double Rooms* Rs. 13 Ground Floor ,, 14-8-0 First ,, ,, 15 Second ,, *Shops* Rs. 20 Ground Floor. ,, 50 ,, ,,	216
Manockjee Petit Mills ..	4,800	400	Rs. 3-5-0 average (varying from Rs. 2¼ to Rs. 5).	*Nil.*
Dinshaw Petit Mills ..	2,500	(New) 98 (Old) 56 154	Rs. 5 for New .. ,, 2 for Old.	*Nil.*
Bomanji Petit Mills ..	2,250	157	97 @ Rs. 2-8-0 each 20 @ ,, 3-0-0 ,, 40 @ ,, 2-12-0 ,,	*Nil.*
Century Mills	5,880	456	360 @ Rs. 5 each 96 @ ,, 7 ,,	13 @ Rs. 7 on 1-8-26.
Svadeshi Mills	3,299	564 and 110 two-room galas.	Rs. 3 to 3-12-0 for rooms and Rs. 5-8-0 for two-room galas.	4 two-room galas.
Bombay Dyeing & Mfg. Co.—				
Textile Mills	3,396	216	Rs. 2-8-0 ..	*Nil.*
Spring Mills	5,353	648	,, 5	*Nil.*
Dye Works	467	125	,, 2	
Madhowji Dharamsi Mfg. Co.	2,600	121	Rs. 4-8-0 to Rs. 5-8-0 ..	*Nil.*
Colaba Land and Mill Co. ..	1,517	140	Rs. 4 to Rs. 6 ..	*Nil.*
Jehangir Wadia Mill ..	518			
Sholapur Spg. Wvg. Co. ..	7,849	727	Rs. 3-8-0 per double room .. Rs. 2-8-0 per single room and verandah. Rs. 1-8-0 per single room without verandah.	*Nil.*

ANNEXURE E

Statement showing the monthly rates of wages obtaining in various industries in India

——	1918			1919			1920			1921			1922		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Paper Mills—(Bengal)															
Coolies	12	0	0	12	0	0	12	0	0	18	0	0	18	0	0
Machinemen	27	0	0	27	0	0	27	0	0	40	8	0	40	8	0
Boys	....			....			....			....			....		
Women	7	0	0	7	0	0	7	0	0	10	0	0	10	8	0
Bricklayers	16	0	0	16	0	0	19	0	0	28	8	0	28	8	0
Vicemen	30	0	0	30	0	0	30	0	0	45	0	0	45	0	0
Blacksmith	28	0	0	28	0	0	28	0	0	42	0	0	42	0	0
Carpenter	20	0	0	20	0	0	20	0	0	30	0	0	30	0	0
Enginemen	15	0	0	15	0	0	15	0	0	27	0	0	27	0	0
Army Boot Factory—(Cawnpore)															
Foremen	31	8	0	32	0	0	40	0	0	41	0	0	41	0	0
Fitters	19	0	0	20	0	0	25	0	0	25	0	0	25	5	0
Machine operatives ..	25	0	0	25	5	0	31	0	0	32	0	0	32	0	0
Accoutrement makers ..	21	0	0	22	0	0	27	8	0	28	0	0	27	0	0
Saddlers	27	0	0	27	8	0	34	0	0	34	8	0	35	0	0
Do. Assistants ..	13	0	0	13	7	0	16	3	0	17	0	0	17	0	0
Work Distributors ..	10	8	0	11	0	0	13	12	0	14	0	0	14	0	0
Belt maker	11	0	0	11	0	0	13	12	0	14	0	0	14	5	0
Cutter	11	0	0	12	0	0	15	0	0	16	0	0	15	0	0
Currier	11	0	0	12	0	0	15	0	0	16	0	0	15	0	0
Storemen	8	0	0	9	0	0	11	0	0	12	0	0	12	0	0
Tanner	9	0	0	10	0	0	12	8	0	14	0	0	13	12	0
Messenger	8	0	0	8	0	0	10	0	0	12	0	0	12	0	0
Woollen Mills in Northern India															
Card Room—															
Head Mistry	49	0	0	45	0	0	50	0	0	76	0	0	76	0	0
Feeder	9	0	0	10	0	0	14	0	0	14	0	0	14	0	0
Mixer	10	0	0	9	0	0	14	0	0	14	0	0	15	0	0
Card-cleaner	23	0	0	19	0	0	22	0	0	29	0	0	31	0	0
Spare hands	10	0	0	10	0	0	14	0	0	15	0	0	15	0	0
Mule Room—															
Head Mistry	82	0	0	70	0	0	71	0	0	91	0	0	92	0	0
Minder	17	0	0	15	0	0	19	0	0	26	0	0	28	0	0
Piecer	8	0	0	8	0	0	11	0	0	13	0	0	11	0	0
Spare hand	9	0	0	9	0	0	14	0	0	15	0	0	14	0	0
Finishing Department—															
Washing and Bleaching Mistry	28	0	0	30	0	0	37	0	0	43	0	0	43	0	0
Washing and Bleaching man .	10	0	0	9	0	0	14	0	0	15	0	0	15	0	0

ANNEXURE E—*contd.*

——	1918	1919	1920	1921	1922
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Woollen Mills in Northern India—contd.					
Finishing Department—*contd.*					
Dying Mistry	20 0 0	20 0 0	26 0 0	33 0 0	35 0 0
Dyer	10 0 0	10 0 0	15 0 0	17 0 0	16 0 0
Finishing Mistry ..	36 0 0	41 0 0	36 0 0	52 0 0	52 0 0
Finishing man	10 0 0	9 0 0	16 0 0	16 0 0	16 0 0
Weaving Department—					
Mistry	32 0 0	28 0 0	32 0 0	58 0 0	50 0 0
Healder	11 0 0	12 0 0	15 0 0	24 0 0	22 0 0
Weaver	15 0 0	16 0 0	21 0 0	26 0 0	28 0 0
Engineering Department—					
Boiler Mistry	25 0 0	25 0 0	36 0 0	41 0 0	42 0 0
Engine man	36 0 0	39 0 0	47 0 0	52 0 0	55 0 0
Oilman	10 0 0	10 0 0	15 0 0	17 0 0	16 0 0
Head Carpenter ..	57 0 0	61 0 0	72 0 0	78 0 0	86 0 0
Boiler man	12 0 0	15 0 0	20 0 0	22 0 0	22 0 0
Carpenter	17 0 0	17 0 0	22 0 0	22 0 0	24 0 0
Blacksmith	25 0 0	26 0 0	28 0 0	30 0 0	33 0 0
Fitter	20 0 0	21 0 0	24 0 0	25 0 0	27 0 0
Turner	25 0 0	27 0 0	28 0 0	32 0 0	35 0 0
Tinsmith	16 0 0	19 0 0	20 0 0	20 0 0	22 0 0
Moulder	20 0 0	....	....	....	....
Mochi	11 0 0	11 0 0	18 0 0	18 0 0	18 0 0
Tea Gardens					
Men	6 4 3	6 5 9	6 12 0	7 0 9	....
Women	5 1 2	5 1 5	5 14 3	5 12 7	....
Children	2 13 5	3 1 5	3 7 7	3 7 10	....
Bengal Coal Mining					
Miners	....	....	....	....	19 0 0
Coolies	....	....	....	....	18 0 0
Cawnpore Harness and Saddle Factory					
Tanners	....	....	....	....	25 0 0
Lascars	....	....	....	....	7 0 0
Jute Mills					*Weekly*
Spinner	....	....	....	....	5 0 0
Rover	....	....	....	....	5 12 0
Weaver	....	....	....	....	9 3 3
Carder	....	....	....	....	2 13 6

Note.—The rates obtaining in the various departments of cotton mills in Bombay, Ahmedabad and Sholapur are given in reports of Wage Census issued by the Bombay Labour Office in 1921 and 1923.

ANNEXURE F

From	To	1913		1926			
		O.R.	R.R.	O.R.	Per cent. of increase since 1913	R.R.	Per cent. of increase since 1913
		Rs. a. p.	Rs. a. p.	Rs. a. p.		Rs. a. p.	
Bombay ..	Delhi ..	..	2 0 7	2 10 3	..	3 7 11	72
	Amritsar ..	..	2 12 6	3 8 2	..	4 10 6	68
	Cawnpore ..	..	1 13 1	2 4 2	..	2 15 3	62
	Lucknow ..	..	1 15 9	2 7 3	..	3 3 1	62
	Nagpur ..	..	1 0 1	2 11 10	..	2 12 4	61
	Howrah ..	..	2 11 11	1 9 9	..	4 12 3	175
	Shalimar ..	1 1 0	3 3 0	1 8 0	41	5 2 11	73
	Madras ..	0 14 0	2 7 9	2 2 3	144	3 14 6	60
	Bangalore ..	..	1 6 7	2 0 1	..	2 10 6	57
Nagpur ..	Delhi ..	..	2 2 4	2 9 6	..	3 2 7	29
	Amritsar ..	2 11 3	3 9 4	3 7 9	29	4 5 9	47
	Cawnpore ..	1 8 3	1 13 4	1 12 5	17	2 5 9	20
	Lucknow ..	1 10 11	2 0 0	1 14 10	14	2 8 11	29
	Karachi ..	3 5 4	3 10 5	4 2 5	25	5 0 10	28
	Madras ..	1 4 4	4 3 1	2 5 5	84	5 10 9	48
	Bangalore ..	..	3 13 3	2 0 1	..	5 3 9	35
Delhi ..	Cawnpore ..	..	0 12 10	0 14 6	..	1 3 3	36
	Lucknow ..	..	0 15 6	1 1 7	..	1 7 1	47
	Nagpur ..	..	2 2 4	2 9 6	..	3 2 7	49
	Madras ..	..	3 15 4	5 15 3	..	7 8 1	47
	Bangalore ..	..	3 9 4	6 3 7	..	7 1 1	88
Cawnpore ..	Delhi ..	..	0 12 10	0 14 6	..	1 3 3	97
	Amritsar ..	..	1 8 9	1 13 1	..	2 6 9	51
	Nagpur ..	2 0 9	2 8 8	1 13 7	9 less	2 6 11	56
	Madras ..	2 0 0	3 0 2	3 9 5	79	3 15 6	4 less
	Bangalore ..	..	3 10 9	3 4 1	..	3 8 6	31
Ahmedabad ..	Delhi ..	1 4 0	..	1 12 10	44	..	..
	Amritsar ..	1 15 5	..	2 9 2	31	..	..
	Karachi ..	1 13 0	..	2 4 2	25	..	..

ANNEXURE G

Hand-Loom Weaving Industry of India

(By an Indian Correspondent)

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When people talk of the Indian textile industry, they generally mean the mill industry, and leave out of account the hand-weaving industry of India. This is due to two universally prevailing misunderstandings. One is that the hand-weaving industry is a small one and not of much importance, and the other is that this industry is steadily declining by reason of competition of mill-made goods, and may altogether disappear at an early date. The fact is that the industry is neither small nor is it declining. It is no exaggeration to say that in spite of large recent developments in the Indian textile mill industry, the hand-weaving industry is still comparable in its output to the mill industry. And also, during the last thirty years, this industry has been steadily thriving in spite of temporary setbacks.

In the absence of accurate statistics regarding the number and production of hand-looms, it may not be easy to state in exact terms the extent and importance of the hand-weaving industry in India. But attempts have been made from time to time to measure approximately the total hand-loom production in India from the quantity of yarn available for hand-looms. The Indian mills produce a certain quantity per annum. To this is added the total amount of yarn imported for the same year, and from the sum of these two figures are deducted the exports and re-exports, whence may be obtained the total annual consumption in India of yarn. From this total is deducted the amount of yarn which goes into consumption in mills in India for the production of woven goods, leaving a balance which represents the amount consumed in the hand-loom weaving industry in the country. For the purpose of calculation, it is assumed that for mill cloth in India 1 lb. of yarn is taken as equal to 4·76 yards of cloth and for hand-loom production 1 lb. of yarn is taken as equal to only 4 yards of cloth. Mr. Cobrough, in his "Notes on Indian Piece-goods Trade," published by the Government of India, and Mr. R. D. Bell, I.C.S., until recently Director of Industries in Bombay, both agree in this assumed proportion in respect of yarn and cloth.

THE EXTENT OF PRODUCTION.—Taking the year 1924-25 as an example, we find that the total weight of yarn produced in Indian mills during the year was 719 million pounds. The imports amounted to 56 million pounds, and the exports and re-exports amounted to 37½ million pounds. Thus the balance of yarn which went into consumption in India during the year amounted to 737 million pounds. The mills in India during the year produced 1970 million yards of woven goods, and on the basis of 1 lb. of yarn being equal to 4·76 yards, this meant that the mills consumed 394 million pounds of yarn, leaving 343 million pounds of yarn available for hand-loom production. Assuming that 4 yards of cloth were produced per pound of yarn, this gives a total production of hand-loom woven goods of 1372 million yards in the year 1924-25. These figures indicate the important position that hand-loom industry occupies in India. The position can be further simplified as follows :—

Indian mill-production during 1924-25=1970 million yards. After deducting the exports (*i.e.*, 181 million yards), the net Indian mill production available for consumption in India was 1789 million yards.

Imports into India during 1924-25=1823 million yards. After deducting the re-exports (*i.e.*, 54 million yards), the net quantity available for consumption in India was 1769 million yards.

The hand-loom production=1372 million yards. Therefore, the total Indian consumption was 1789+1769+1372=4930 million yards. Roughly, therefore, the Indian mill poduction supplies 36·5 per cent. of the Indian consumption, imported goods about 35·5 per cent., and hand-loom production about 28 per cent.

A THRIVING INDUSTRY.—Then again, the hand-loom industry is by no means a decaying industry; it is not only strong but has been steadily gaining in strength. Mr. R. D. Bell has shown in a special memorandum how the consumption of yarn by hand-looms has been steadily increasing. Figures are available only since 1896 (*i.e.*, when the cotton

excise duty was introduced) for the mill production, and the following table is instructive :—

Period	Total Consumption of Yarn by Hand-looms in Million Pounds in each 5-Year Period
1896-97 to 1900-01	1058
1901-02 to 1905-06	1156
1906-07 to 1910-11	1294
1911-12 to 1915-16	1346

From these figures it will be seen that over four successive quinquennia the consumption of yarn by hand-looms increased by 28 per cent. The effects of the war, however, began to be felt about this time. Owing to the check on the imports after 1915-16, and the enormous demand in India for textiles for war purposes, the mills used much more of their own yarn and left so much the less available for hand-loom weavers. The scarcity and dearness of dyes also hit the hand-weaving industry. The result was that whereas during the period 1911-15 the yarn available for consumption by hand-looms was 1346 million pounds, during the next quinquennium from 1916-17 to 1920-21 the yarn available was reduced to 1097 million pounds. But since then there has been a recovery and during the three years 1921-22 to 1923-24 the annual average quantity of yarn available was 300 million pounds, as compared with 271 million pounds during the prosperous quinquennium from 1911-12 to 1915-16. In 1924-25 this quantity increased to 343 million pounds, but even supposing that 1924-25 was an extraordinarily good year for the textile trade in general, and hand-loom industry in particular, it cannot be denied that the hand-weaving industry has been steadily thriving, and satisfactorily increasing its production.

Comparison with Mills.—It deserves to be inquired at this stage how it is that hand-weaving has managed to survive in India in such strength, and has even been thriving in the face of the severe competition from the mill industry. Two explanations may be offered. In the first place, the hand-weaver is an independent worker, habituated to live in his own small cottage and plying his trade in the village. His sentiments, habits, and caste customs are such that the hand-weaving cottage craft is peculiarly suited to them. It enables him to escape from some of the evils of industrialism, and from the disintegrating influence of the factory system on the worker's family life. The weaver has besides the characteristic habit of getting satisfied with the little profits he can make from his business, instead of venturing out into lucrative centres. Thus it is the force of habit, strengthened by peculiar social and economic conditions that serves as the strong element in the survival of hand-weaving. Secondly, the hand-loom production has got its own market and its own clientele. This is due to the fact that the production consists of a great number of specialised types of cloth which Indians are accustomed to wear " which either from their quality or the nature of the demand, do not offer opportunities for mass production in mills." Thus it happens that the mill industry and the hand-loom industry are not necessarily antagonistic to one another, the amount of direct competition between them being at present very restricted. In many cases they supplement each other's production. An interesting example of this would be found in the fact that in the city of Bombay itself which is the citadel of the mill industry, a large number of hand-loom weavers are seen plying their shuttles in small factories, and doing it very successfully from the business point of view.

Problems of Hand-weaving.—It should not be supposed that because the hand-loom industry has been thriving it has no difficulties to overcome. In fact, it has its own problems to solve in the same way that the organised mill industry has, and it is to the solution of these problems that Provincial Governments in India have for some time past given their attention. The Indian hand-weaver is a very conservative worker, and his hand-loom is still of the primitive type. The commonest type still in use is the pit loom worked with a throw-shuttle—that is, a shuttle which is thrown by hand. Efforts have been made in recent years to improve this loom so as to make it give greater production, and the most important mechanical improvement has been the fly-shuttle which is thrown not directly by hand, but by a " picker " connected by bands of thick string to a handle held by the weaver. This very effective labour-saving device gives on the average an increased output of 40 per cent. All the Provincial Governments in India are actively busy in spreading the introduction of this improvement among the hand-weavers. This is done in two ways, by means of weaving schools and by demonstrations. The success that has attended the efforts of Government in this direction is very satisfactory. It is true that there are other types of looms excellent in their own ways, but from the cottage

weaver's point of view they have two defects. The first is that they are usually too expensive for him, and the second is that they are sometimes too big for his tiny dwelling. So, for his practical purposes, his old-fashioned pit loom serves him right, because it costs him little, about Rs. 30 on the average in Bombay, and the use of the pit loom enables it to be worked in low-roofed rooms or verandahs. The fly-shuttle attachment can be purchased for about Rs. 12, and a mechanical dobby for Rs. 6, and both can be fitted within the walls and roofs of the weaver's humble house.

THE PREPARATORY PROCESSES.—An important need of the hand-weaving industry is an improvement in the preparatory processes of warping and sizing. The usual village method is to prepare the warp by hand, stretch and spread it on stakes in the open, and then brush it with size. An undue proportion of the weaver's time is spent in these preparatory processes. Experiments are in progress to evolve suitable devices and mechanical arrangements in the matter of warping and sizing, in the various weaving institutes maintained by most of the Provincial Governments. In certain cases good success has been gained. In Madras a hand-sizing machine has been evolved and has proved a success. A new type of wooden hand-sizing machine has also been constructed, in which the yarn is sized and dried by the induction of cold air by means of a fan. As the cost of this machine is very low (Rs. 300) it is very likely to be popular with the hand-weaver. In certain cases a suitable kind of power dresser sizer *is* in use in a central locality to supply warps to the weavers. In Bihar, a combined warping and sizing machine has been designed and has given good results, though it is too expensive for the individual weaver; but it is being increasingly used in small hand-loom factories.

In the case of the hand-looms engaged in woollen manufacture, the principal difficulty met with is as regards the supply of even yarn. The woollen yarn is at present handspun and offers great difficulties in weaving. There are practically no woollen mills in India which can supply yarn, and, therefore, in certain provinces like Bihar, where there are a large number of hand-looms engaged in woollen manufacture, Government is considering the establishment of experimental woollen spinning plants to supply yarn to hand-weavers. If such experimental plants prove a success, an important step will have been taken for the improvement of woollen hand-manufacture.

STORES AND ORGANISATION.—Besides the improvement in the mechanical equipment of the hand-loom weavers, there are a number of other problems which also demand solution. There is, for example, the fact that the weaver is being crushed under a very load of debt, due to the rapacious money-lender, and from which he has to be extricated by co-operative or other means. A number of weavers' co-operative societies have recently come into existence and have been of considerable benefit to the weaver. Then again problems differ from province to province. In Bihar, for example, the spread of the fly-shuttle loom and other improved devices during the last five years has increased hand-loom production very considerably, so that the difficulty now experienced is in regard to the marketing of goods. A condition has arisen in which the weaver has either to work shorter hours or attempt to compete with the power looms in their own field. The solution in such cases is found in introducing the production of finer cloth of a particular class and variety wherein, with proper organisation, the weaver may hope to compete with the mills. As weavers themselves find great difficulty in making a start with finer cloth, the Industries Department in Bihar have, as an experiment, started to organise the introduction of a "markin" or cloth of a standard pattern. The yarn is given out through the demonstrators to the weavers, who are paid a fixed wage for their work. It is then taken back again and finished and marked with a trade stamp. Departmental stores are organised which deal in weaving requisites, such as fly-shuttles, helds, etc., and sell dyes and finer counts of yarn, as well as purchase the "markin" cloth after it is made.

The sale of dyes is another way in which it is necessary to assist the weavers to compete against the power-loom. At present, in every village there is very great ignorance regarding the use of the new artificial dyes, while ready-dyed yarn, with the exception of one or two shades, is much more expensive than it ought to be. The weavers are thus very much handicapped in producing any kind of coloured or flowered goods, and the sale of dyes, coupled with local demonstrations of the proper method of using them, is of great assistance to them. There is a very real and important connection between village dyeing and village weaving.

THE SCOPE FOR DEVELOPMENT.—Such then are the problems of the hand-loom weaving industry in India. Though it is possible to measure roughly the extent of the hand-woven output by the amount of yarn available for consumption by hand-looms, it is difficult to say how many hand-looms are actually at work in the whole of India, and what part of the Indian population is engaged in the industry. In the census of 1921 an enumeration of hand-looms was made only in two provinces. In the Madras Presidency, the number

of hand-looms actually at work was found to be 170,000. Some of the hand-loom products of Madras are of artistically excellent quality. In Bihar and Orissa, the number of hand-looms is 160,000, producing nearly 40 per cent. of the cloth worn by the people of the province. The total annual output is worth about Rs. 5 crores, or about one-twelfth of the value of the total output of goods woven in all the cotton mills in India. In Bombay it has been estimated that there are altogether about 800,000 people who depend wholly or largely on hand-loom weaving for their means of subsistence, and there are about 300 centres where the industry is carried on. In the Punjab, Bengal, and other provinces also, the population employed in the industry is considerable. It remains to be seen what effect the abolition of the Indian cotton excise duty will have on the hand-weaving industry. Hitherto, the hand-woven product was exempt from the excise duty, and enjoyed to some extent some sort of protection as against the mill-made product. Now both are on equal ground. It appears, however, the effect will not be felt appreciably.

A new development that may be mentioned in connection with hand-looms is the increasing use by them of artificial-silk yarn. There is, therefore, great scope for the import of such yarn into India.

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

Witness No. 1

Oral evidence of the Bombay Millowners' Association recorded at Bombay on the 24th, 25th and 26th August, 1926

The following gentlemen represented the Association :—

A. Geddis, Esq., Chairman,
H. P. Mody, Esq., Deputy Chairman,
Sir N. N. Wadia, K.B.E., C.I.E.,
C. N. Wadia, Esq., C.I.E.,
N. B. Saklatwala, Esq., C.I.E.,
T. Maloney, Esq., Secretary.

President.—There are two points that I should like to make clear at the outset of this enquiry. The first is that this Tariff Board is not a Currency Commission. It is not here to sit in judgment on the findings of the Currency Commission nor is it in any way concerned with the general merits of the Government of India's exchange policy, past, present or future. Witnesses who wish to discuss these merits have plenty of opportunities of doing so in other ways. This Tariff Board is only concerned with exchange questions in so far as they affect the cotton textile industry.

The second point is that except in one respect the proceedings of this Board will, as recommended by the Fiscal Commission, be conducted with the utmost publicity. It is obviously, however, out of the question that the affairs of individual mills should be publicly discussed before this Board. Any enquiries the Board may wish to make into the affairs of individual mills will therefore be made in camera.

I think you know that as far as the Millowners' Association are concerned this is merely a preliminary examination. The millowners are the body who are applying for protection, so it is only fair that they should be given a chance at the end of our enquiry to discuss any statements, which have been made to us in the course of the enquiry. One point we hope to go into in some detail with you at the end of the enquiry is the cost of production. Unfortunately we have no information in regard to this at present. We have, as you know, sent out very detailed statements which we hope to get back filled in by at least a fairly large proportion of the mills. The sooner they can let us have them the better.

Section I

General

Q. The first question I should like to ask is how many of the Bombay mills belong to the Millowners ' Association ?

A. About seventy-nine.

Q. And how many up-country mills belong to the Association ?

A. *Mr. Maloney.*—Twenty-five, I think.

Q. I should like to know how far the up-country mills are active members of the Association. Were they consulted before the original application to the Government of India was put in and have they been consulted at every stage of the proceedings ?

A. *Mr. Geddis.*—There was a general meeting of all the members held, Sir, and it was decided to ask for this Tariff Board enquiry.

Q. How many of the up-country mills were present at that meeting ?

A. We shall have to look it up, I think.

A. *Sir N. N. Wadia.*—Mr. Saklatwala and some other persons from the Nagpur mills were present.

Q. Are the up-country mills represented on the Committee of the Millowners' Association ?

A. *Sir N. N. Wadia.*—No, except the Nagpur mills by Mr. Saklatwala.

A. *Saklatwala.*—And perhaps the Sholapur mills, and Currimbhoy's Indore mills.

Q. In short only those mills, up-country, the managing agents of which have mills in Bombay.

Then, we should like to know something about the exact functions of the Millowners' Association. Is it merely a body which collects and circulates information or does it take any active executive action on behalf of the mills ?

A. *Mr. Geddis.*—We always take executive action, Sir, in connection with any business that comes forward.

Q. The only way in which, I think, you have taken organised action is in respect of a workmen's compensation insurance fund ?

A. *Mr. Geddis.*—We always take united action in case of strikes and such other matters as come before us. Regarding the question of working short time, we abide by the decision of the Millowners' Association.

Q. What about the fixation of wages ? Is that a matter which the Millowners' Association take note of, or is it left to individual mills ?

A. *Mr. Geddis.*—It is left to individual mills.

A. *Sir N. N. Wadia.*—The rate is left to the individual mills, but the general percentage of increase in wages from time to time is decided by the Millowners' Association. And then, again, Sir, we take concerted action in regard to Government matters, taxation matters and all the thousand and one matters in connection with the Municipality, the Government of India and the Government of Bombay—legislation, taxation, insurance and several other points.

A. *Mr. Geddis.*—We also took action to get our fire rates down. We met the F. O. C. and took the question up with them.

Q. We now come to the general question of the depression. You say that the Association does not consider that the present depression is due to any extent to the operation of world factors. Don't you consider that the world depression which followed the war has also been reflected to some extent in India ?

A. *Sir N. N. Wadia.*—If it was, why is it that the Japanese mills are working double sihfts ?

Q. Has there been no depression in Japan in recent years ?

A. Not that we are aware of, Sir.

Q. Not in the textile trade ?

A. No.

Q. You mention in your written statement two factors peculiar to India, the Japanese exchange and the double shift working. Are there no others ? What about the khaddar movement ? Has the khaddar movement in any way contributed to the depression in your industry ?

A. *Mr. A. Geddis.*—We do not think so, Sir.

Q. You do not consider that the depression in the textile industry in the United Kingdom and in India are in any way connected with each other ?

A. *Sir N. N. Wadia.*—No, Sir.

A. *Mr. A. Geddis.*—We cannot say that.

Q. You consider that the depression in the industry is likely to be permanent. Has there ever in industrial history been a permanent depression ?

A. *Mr. A. Geddis.*— A permanent depression means the extinction of those industries. There have been lots of industries in the United Kingdom which died like that.

Q. Which are you thinking of ?

A. *Mr. C. N. Wadia.*—Sugar before 1870.

Q. Sugar refining ? I do not remember the facts correctly, but I should say more sugar is refined now than used to be.

A. *Mr. A. Geddis.*—There was more before 1870.

Q. Is it not a fact that the sugar refining industry is now concentrated in the hands of a few big firms instead of in a number of small refineries ?

A. Then, the Germans before the war were dumping down large forgings for ships for years on the Clyde.

Q. Would you compare any of those industries with the cotton industry in India as regards size ?

A. Those that died from the effects of dumping ?

Q. What I asked was whether there has ever been a permanent depression in the case of an industry of the size of the cotton industry in India ?

A. The ship-building industry in England is a parallel instance. It is suffering now very badly. There has never been such a depression.

Q. You cannot say that the depression in the industry is permanent at present ?

A. What meaning do you attach to the word "permanent" ? Do you mean twenty-five years or some such period ?

A. *Sir N. N. Wadia.*—Yes, it depends on what meaning you attach to it. By "permanent" I understand you mean for all time as against "temporary" for a period. The exact meaning that we attach in trade is fifteen years, or so.

Q. I am quite willing to accept your interpretation. I only wanted to know what it is.

A. *Sir N. N. Wadia.*—Ten or fifteen years.

There was a glass industry at Widnes for instance which became entirely extinct. In Lancashire there was a very large glass industry at one time. It is now absolutely extinct.

A. *Mr. Mody.*—We are talking of the main cause of the present depression being permanent; we are not talking of the depression being permanent just yet. We say the main causes of the present depression seem to be of a permanent character. That is what we referred to.

Q. Then, it necessarily follows that the depression itself will be of a permanent character?

A. *Mr. Mody.*—It does not necessarily follow.

Q. Can you give us any idea of the probable course of the price of cotton?

A. *Mr. Geddis.*—I am afraid that is a question that no one has any information about.

A. *Sir N. N. Wadia.*—We should be millionaires to-morrow if we only knew what cotton is going to do in a week or a fortnight.

Q. I thought that would probably be your reply.

A. *Mr. C. N. Wadia.*—It depends on what the American rate is going to be. In the last 24 hours it has gone up there.

Q. I am not quite sure as to your views about the effects on the industry of a rise or fall in the price of raw cotton?

A. *Sir N. N. Wadia.*—We have given you a complete answer, Sir.

Q. Yes, but I cannot quite make out what your considered views are.

A. There are advantages as well as disadvantages.

Q. On which side is the balance?

A. "A further fall in the price of raw cotton might have a stimulating effect on consumption of yarn and piecegoods if followed by a steady low level of prices thereafter, but a continually falling market such as there has been for the past few years has a very detrimental effect on the extent of purchases made by dealers in the various consuming centres. Moreover, a further fall in the price of cotton would adversely affect all mills which have unsold stocks of cloth owing to the lower price which would be realised for future contracts. A fall in the price of cotton would also lower the ratio of the cost of cotton to total cost of production and would thus encourage competition from countries with depreciated exchanges."

Q. Quite so. What I want to know is which on balance would help you more, a rise or a fall?

A. That remains to be seen. There again we cannot be prophets.

Q. No, but as a millowner you might be able to give us some idea?

A. If the prices are steady and the dealers regained confidence, there is no question that owing to lower prices of cotton, the offtake of yarn and piecegoods would increase. To that extent we should be benefited.

Q. But on the whole, I think you would prefer cotton remaining at the present level?

A. It does not matter whether it is the present level or not. We want a steady price.

A. *Mr. Geddis.*—It will be better for us if the cotton market keeps steady, but it never keeps steady, it is always fluctuating.

Q. What we are trying to get at is whether a fall in the price of the raw material would be more advantageous than a rise.

A. *Mr. Geddis.*—A permanent lower level of price if that is your question?

Q. We will first take a "permanent" fall and then a "temporary" fall.

A. *Sir N. N. Wadia.*—It would be an advantage to a certain extent to have a lower level of price if it did not encourage competition from countries with depreciated exchanges.

A. *Mr. Saklatwala.*—If I understand your question, Sir, as a general one I think for the present as my colleagues have said we would welcome a steady cotton price. On the whole a low price for cotton stimulates demand because stocks are more readily saleable. Of course we are more concerned with the margin between manufacturing cost and sale price. If your question is a general one, I think a lower cotton market stimulates demand for cloth by lower prices.

A. *Mr. Mody.*—If you are referring to trade conditions of the present day, then we would much rather have a steady cotton market for the reason that our stocks will be very adversely affected by a drop in cotton prices.

Q. Quite so. In any case your opinion seems to be that a steady level of prices or a fall would be of more help to you than a rise. Is that so?

A. *Mr. Mody.*—A steady level of prices.

Q. A steady level or a fall would be more helpful than a rise ?

A. *Sir N. N. Wadia.*—A steady level of prices is certainly more advantageous than a rise or fall.

Q. Yes, but we want to know whether a fall would be more advantageous than a rise on balance ?

A. *Mr. Geddis.*—As Mr. Mody said, if cotton went up, stocks could be disposed of at a better price.

Q. But, if the price of cloth went up that would check consumption, would it not ?

A. *Mr. Mody.*—Not necessarily, because if the consumers of stocks came to the conclusion that cotton was steadying up, there would be a better and more steady demand for cloth. It is the fear which is now operating in the minds of the dealers as well as consumers that cotton is steadily going down that prevents them both from placing large orders. When prices fluctuate, the result is there is a general nervousness in consuming centres.

Q. It is not until the dealers and everybody else come to believe that the price of raw cotton has reached rock bottom that you can expect a turn of the tide ?

A. *Sir N. N. Wadia.*—Not necessarily, Sir. There are other factors if you mean the turn in price. If we get a steady market it will help to inspire confidence and dealers will be able to deal. That is what we want.

Q. Cotton must reach rock bottom ; sooner or later the question is when it is going to do so. About that you have no idea ?

A. *Mr. Geddis.*—It all depends on the crops in America. Short crops make prices high. You can never reach a permanent rock bottom price.

Q. There is some level of price which is bound to be the bottom price wherever it is ?

A. That could not be permanent. You must get your fluctuations.

Q. What I mean is that there must be a lowest level, but I do not mean that it stays there when it has got there.

A. I do not see what advantage it would be to us. The lowest level might be at that level only for a week.

A. *Mr. Saklatwala.*—We were told sometime ago that 20 cents was the growing price in America but since then it has been as low as 17 cents. So, how can we know what is the lowest price ? There is no limit.

A. *Sir N. N. Wadia.*—There may be a limit in the ideas of certain people. We were told that 20 cents was the cost at which cotton could be produced. To-day the cost ranges round 17 cents. So, it is merely the view of the individual what the lowest price is, was or will be.

Q. There must be a lowest price ?

A. Before the war America used to say that it cost them 12 cents to produce cotton. Since the war they have been saying that they cannot produce cotton under 20. And now as Mr. Saklatwala has pointed out, you see a distinct phenomenon. A large acreage is grown at 17 cents although they say that they cannot produce it under 20 cents. In the same way we have seen fluctuations in Broach cotton for instance. It had been as low as Rs. 150 per candy and we have had it as high as Rs. 900 per candy. World factors dominate the position. So you cannot say at any moment what is the lowest price that a certain crop will fetch.

Q. It is really a question of what people think is going to be the lowest price ?

A. It depends also at the same time on the demand in the various countries of the world. The price is not regulated by the supply but by the law of supply and demand. If the industry were flourishing and Germany and France buy as they were doing a few years ago, the price would be 20 cents or more for the same crop. You cannot tell at the moment what the lowest price will be of a certain crop.

Q. You say in answer to Question 5 that except for good mills with reserves, mills generally in Bombay are at present realising no profits. What has the question of reserves to do with it ?

A. Reserves save interest in working charges.

A. *Mr. Geddis.*—Yes, that is what happens. It is the saving in interest charges that enables those mills to bring down the cost.

Q. I agree that it is so. I wanted to bring that out. We will come to the saving in interest charges later on.

Can you give us an idea of the number of mills now working at a profit and the number working at a loss ?

A. *Sir N. N. Wadia.*—For 1925 ? I think I can give you a fair idea.

Q. One cannot regard 1925 as a normal year. How long did the strike in 1925 last ?
A.—2½ months.

Q. I am thinking of conditions to-day. I want a rough idea of how many mills are working at a profit and how many at a loss.
A.—I do not think there is any mill making a profit.

Q. Some at any rate I think do ?
A.—Yes, they had contracts at higher rates and perhaps they dropped and are now holding the baby. They cannot make any profits now. At to-day's price of cotton and cloth they cannot make any profits.

Q. Has not the fall in the price of cotton and of cloth this year been more or less in proportion to that last year ?
A.—No, Sir, I think cloth has dropped more than cotton in the last few months.

Q. As far as I have been able to make out the index figures, they show that the price of cotton since September last has gone down far more than the price of cloth.
A.—Price of cotton ?

Q. The index figures I have worked out show that for September last year the price of cloth was 180 and that of cotton 182, and to-day it is 170 for cloth and 147 for cotton.
A. *Mr. C. N. Wadia.*—I do not know where you have got those figures from.

Q. They are based on the figures for cloth and cotton for 1914. If the index numbers for cloth and cotton for 1914 are taken as 100, in September last year the price of cloth was 180 and that of cot'on 182. In June this year the price of cloth was 170 and that of cotton 147.
A. *Sir N. N. Wadia.* What is the inference, Sir ?

Q. The inference is that to-day the margin between the price of cloth and cotton is wider than it was a year ago.
A.—We have said in one of our statements that you cannot compare by percentages cotton and cloth, because the fixed charges go on at the same rate. They remain steady.

Q. Has there been no marked reduction in fixed charges since a year ago ?
A.—No. If you take the percentage basis it varies very materially, Sir.
A. *Mr. Maloney.*—Sir, may I make a statement ? I do not think it is correct to take the index number in the case of cloth and cotton and from that deduce that the margin between cloth and cotton has decreased or increased for the simple reason that you should take the actual value per pound of cotton against the actual value per pound of cloth. I have done that and I find that the margin has decreased in the last six months and not increased. The reason is that cotton is half the price of cloth and your cotton index number must fall at about twice the rate of fall in the index price of cloth to maintain the same margin. I have got the actual prices per lb. of cotton and long cloth roughly graphed.

Q. Will you put that in ?
A. *Mr. Maloney.*—Yes (Annexure).

Q. That is a very important point that I am glad you have brought out. I take it that, as regards the fall in the price of cloth not corresponding with the fall in the price of cotton and that of other commodities, your view would be that your costs of manufacture have not fallen in the same ratio as the prices of commodities ?
A. *Mr. Geddis.*—That is correct.

Q. You hold that since last year at any rate the costs of manufacture have not fallen at all ?
A. *Sir N. N. Wadia.*—They have fallen a little during the last year.

Q. In what respect ?
A.—In total cost there has been a fall of about three pies a pound owing to stores being slightly cheaper. The excise duty has gone off too.

President.—I think we will deal with the question of organization later on when we come to question of remedies, but there is one point that I should like to ask you about. Is the organisation of the Jute Millowners in Calcutta any closer than that of the cotton millowners in Bombay ?
A. What do you mean by " closer ", Sir ?

Q. I think that is fairly obvious. Do the Jute Millowners do anything for their members which you do not ?
A. I cannot say.

Q. What steps have you taken to organise yourselves to meet the present depression other than to make a demand for this enquiry ?

A. We made efforts last year. We decided on a reduction in wages—a considerable reduction.

Q. A reduction of wages which did not eventuate ?

A. Because the Government of Bombay made us promise that if the excise duty was taken away, we would agree to restore the wages to their old level and we did it.

A. *Mr. C. N. Wadia.*—They laid down this condition. We got this help on condition that the cut should be restored. That was the consideration. When the excise duty was abolished, we had to restore wages.

Q. Have you done anything else ?

A. *Sir N. N. Wadia.*—We have cut down overhead charges since last year and trade has organised in various ways. We reduced insurance charges on our mills by 25 to 33 per cent. We have been able to reduce the insurance on our hands by 33 per cent. since last year. We are doing all we can to help ourselves in the little things we can do. But a larger remedy is required.

Q. Do you do anything in the way of comparing costs between one mill and another ? I understand that in the United Kingdom there are many Associations which take steps to circulate detailed costs in the various factories belonging to members of the Association, calculated on the average of several of the more efficient firms.

A. Not to our knowledge. I know Lancashire. I do not think the Cotton Federation there has ever done that.

A. *Mr. C. N. Wadia.*—I have never heard that and they are more jealous there than we are here, as far as my knowledge goes, as to the secrecy with which they keep their costs up their sleeves.

Q. With regard to Q. 12, I should like to have your opinion, generally speaking, as to whether you would consider that it is the depression in the industry that has sent the mills mentioned in your reply to that question into liquidation and caused others to close down ? Might not that result have come about in some other way, for instance owing to the competition of the better managed mills ?

A. *Sir N. N. Wadia.*—We do not think so. Sir, in normal times, we do not think this would have happened. For instance, they could have carried yarn to China and carried on just in the same way.

Q. But surely there is such a difference in normal times between good and bad mills that the bad mills must go out ?

A. Not necessarily in normal times. In bad times they might.

Mr. Geddis.—In view of the fact that spindles and looms have not increased materially, those mills, according to your argument, should have gone into liquidation long ago.

Q. The looms have increased.

A. But not the mill industry of Bombay. Those mills should have gone into liquidation long ago. Possibly they would have if the war had not saved them.

A. *Sir N. N. Wadia.*—According to Table 1, there were 82 mills in 1898 and the number of mills in Bombay is the same today.

A. *Mr. Subba Rao.*—Has there been any amalgamation of mills ?

A. Not very material. Consider also the fact that not a single new mill has been built since 1914.

Q. But is it not due to other causes such as municipal restrictions ?

A. *Mr. Mody.*—These came only recently, in 1922.

A. *Sir N. N. Wadia.*—While we are on this subject, Q. 12, you may make a note, Sir, that the mills that are going into liquidation are sold at a song and there is one instance where a mill has been sold to a cotton broker and the Japanese are sharing in that mill as partners.

President.—Are you prepared to mention the name of the mill ?

A. Yes ; the Diamond mill and Mr. Anandlal Podar is the ostensible buyer.

Q. What do you mean by " song " ?

A. At a very cheap price.

Q. I think it has a paid up capital of about 39 lakhs.

A. But if you take the number of spindles and looms there, you could not instal a new mill at that price. Then you must take this further fact into account : that in Japan no foreigner is allowed to hold or possess any mill, not even any shares.

Q. The Diamond Mill has about 34,500 spindles and 752 looms and the paid-up capital is 39 lakhs, according to your last return.

A. That mill was sold for Rs. 14 lakhs.

Q. What would it cost to erect a mill of that size now ?

A. I think about 45 lakhs.

Q. Why don't you purchase it ?

A. We have got no money. The Government of India has deprived us of our money.

Raja Hari Kishan Kaul: In answer to Q. 1 you say " The Bombay mill industry has also to meet the full force of competition from foreign countries owing to its situation at the port of importation." I should like to understand what exactly you mean by that.

A. You see the Japanese bring their cloth to the port of Bombay and sell it in Bombay and the Bombay mills have to meet the severe competition. If Japanese goods are put into Ahmedabad, they would have to pay railway freight from Bombay to Ahmedabad and Ahmedabad mills will be to that extent at an advantage. But Bombay being the port of disembarkation, we have not got that advantage.

Q. That is, they can sell in Bombay without the addition of railway freight ?

A. Yes.

Q. Then in the same answer you say " Bombay is further from the cotton fields and the consuming markets of India." And it is consequently in a worse position ?

A. To a certain extent, yes.

Q. Do you mean to imply that Bombay is not an ideal place for the mill industry ?

A. It does not necessarily follow. But when you compare Bombay with upcountry centres which are situated in the heart of the cotton districts, Bombay to that extent is disadvantaged.

Q. You think these are very important factors, being in the heart of the cotton producing districts and being nearer the centre of distribution ?

A. For instance, take the Cawnpore mills. They are situated in the cotton districts themselves and they have got a big cloth market on the spot. They practically save double freight. So you naturally understand that they are at an advantage to that extent in that respect.

Q. That is exactly the point I am making. It has been suggested to us that Bombay is now not the place for cotton mills, and that they should all be taken down.

A. I do not agree with that ; because we have certain advantages as well as disadvantages. For instance, we can command cotton from all over India whilst Cawnpore cannot command Southern India cotton. For instance, Cawnpore mills get short staple cotton on advantageous terms.

Q. So you think that in respect of the Bombay mills, your advantages are greater than the disadvantages ?

A. I would not say that. I think the disadvantages more than counterbalance the advantages as long as we have no export trade. If we had flourishing export trade, we should be much better off.

Q. That is the criterion ? With export trade your advantages are probably greater than your disadvantages and if the export trade is extinguished, your disadvantages will probably be greater—I mean assuming that .....?

A. We cannot answer assumptions.

Q. But do I understand you to mean that ?

A. Not necessarily. If we had a brisk export trade, we should have certain advantages which would counterbalance to a certain extent certain disadvantages.

Q. Otherwise, your disadvantages will weigh more ?

A. You must make the deduction yourself. I won't say that.

Q. In answer to Q. 2, as regards the world factors being permanent, is a continuous fall in the price of cotton a world factor ?

A. To a certain extent yes ; but that is not all.

Q. That is one of the factors ?

A. Yes.

Q. As the President remarked, there probably was a crisis in Japan in 1920-21 and the imports from Japan decreased perceptibly in 1920-21 or 1921-22.

A. I do not think so.

Q. They did. For instance with regard to plain grey unbleached cotton piece-goods they were 149,817,000 yds. in 1920-21 and they dropped down considerably in 1921-22.

A. You must remember that in 1919-20 and 1920-21 England was not able to supply to Indian market. Japan had taken the field and in 1921-22 and 1922-23 when England began to export greater quantities, Japan naturally had to fall back to a certain extent.

Q. Do you deny the fact that there was a depression in Japan in 1920-21-22 ?

A. No depression. There was an earthquake and there was some trouble.

Q. Any way there was a howl about it.

A. If there was depression why did they continue to work double shifts ? They would have taken the first step to cut down the hours of work; but they did not even at that time and the mills continue to pay dividends.

Q. Much lower dividends.

A. The average was 16 per cent.

Q. But it has been discussed in all kinds of literature connected with the Japanese cotton industry. Everybody talks about the depression in 1920-21. It looks as if there is a post-war depression in most countries. Are not we getting the post-war depression a little later ?

A. I do not think so.

Q. Then talking about the main causes of the present depression being permanent or temporary, you have laid great stress upon the low exchange in Japan. Is not that a purely temporary cause ?

A. No, Sir. It is caused by two factors, Japan sterling exchange and the sterling rupee exchange. It is true that the sterling yen exchange went down from 2/0$\frac{5}{8}$ to 1/7$\frac{3}{4}$. On the other hand it has come up now to 1/11*d*.

Q. The net result is that the yen had fallen and is rising again. It is coming up to par. As long as the yen was low, you say that the Japanese had a great advantage. Was not that a purely temporary cause ?

A. It lasted for three years.

Q. You call three years permanent ?

A. For instance, today the yen exchange is 131.

Q. In answer to Q. 4 you say that some mills which are now working will be compelled to close down. Are the conditions such that they affect all the mills ? We have been told that no mill in Bombay is working at profit at present. Do you think that the conditions are such that unless the present margin increases almost all the mills will have to close down ?

A. No, Sir. You are making a mistake there again. It does not pay a mill to close down until the point is reached when the loss due to closing down is greater than the loss due to working. Until that limit is reached, the mill does not wish to close down.

Q. Do you mean to say that the mill will go on working at a loss ?

A. Yes, up to the point when the loss through stopping will be less than the loss through working, or when they cannot meet the loss ?

Q. So even if the margin does not increase, some mills will go on working even at a loss and will not close down ?

A. Yes, quite true.

Q. In the difference in the prices of cloth and cotton, the main factor which has remained constant is the wages. That is the only factor which has not altered in recent times. For instance, the prices of stores, machinery, etc., have gone down but the wages did not come down ?

A. Taxation has not come down, municipal taxation and the Government of India taxation.

A. *Mr. C. N. Wadia.*—Municipal taxation has increased last year. They have increased the water tax by 33 per cent.

Q. Imperial taxation has decreased.

A. In what respect, Sir ?

Q. Excise.

A. It was a wrong tax which the Government of India retained for 30 years against the wishes of the people.

President.—We are not concerned with the merits of the tax. It is gone; that is the point.

A. *Sir N. N. Wadia.*—Imperial taxation has not decreased. In fact the Government are going to take steps to increase taxation, according to the Taxation Committee's

report. I will give an example when talking about taxation. In England they have taken away the Company's super tax or the Corporation tax. They have reduced the income tax from 6*s*. to 4*s*. but the Government of India have not; on the other hand they went to put on further taxation.

Raja Hari Kishan Kaul.—That is a question we are not dealing with. As regards organisation, you will remember that the Indian Trade Commissioner for East Africa in 1922 referred to the fact that the markets were passing from your hands into those of the Japanese ? Was any action taken thereon ? Do you remember whether any action was taken and an effort made to maintain a hold on the market ?

A. I will look that up.

Q. Then can you tell us, if any steps have been taken or are being taken to organise to avail yourselves of the rebates granted ? For instance, the N. W. Railway have granted a rebate of two-thirds of the freight on all merchandise going to Persia *via* Karachi, Duzdap and Dilbardin ?

A. *Mr. Maloney.*—The attention of all members has been drawn to the fact that there is a special rate.

Q. When you have an Association and when you get a certain advantage, are you content with merely drawing the attention of the members and do you not take any concerted action to avail yourselves of the concession ?

A. The dealers themselves take action.

Q. I am talking of organisation. Is there an organisation for doing that, for taking advantage of such opportunities ?

A. *Mr. Geddis.*—It is surely for the individual act on of the mills. The Association does not sell or do any selling on behalf of the members.

President.—The Japanese have export guilds which pay special attention to the export trade.

A. *Sir N. N. Wadia.*—Do you want us to start trusts in India ?

Raja Hari Kishan Kaul.—Not trusts. The question is, have you got any means by which you assist those who want to sell their produce ?

A. We draw attention to the fact that certain facilities have been granted and they will take action.

Q. You draw attention but there is no organisation which invites people to take advantage of such concession easily ?

A. No.

Q. Is it not a fact that in many stations there are three or four mills each with a separate installation for power ? In some stations a certain number of mills have got separate installations for electric power.

President.—The Association have definitely disclaimed any intention of representing the interests of the up-country mills although there are 25 up-country members.

A. *Mr. Saklatwala.*—That is a very simple question to answer. Many of the mills up-country were erected before electric power on a large scale came into force. For instance, taking Sholapur, it is only lately that Mr. Goculdas has started a central station by which he is prepared to supply power. But the mills at Sholapur were established long before he started a central power station and they had got their own power engines established long before electric power was ever thought of.

Raja Hari Kishan Kaul.—What I am driving at is this. In some stations we have noticed that mills are being built and extensions are made and power houses are being built time after time. But if there was an organisation, they could have built a central power house; all the mills might have combined and taken their power from it.

A. But electric power houses have only been brought into operation of late years, whereas some of the mills are 20 or 30 years old, in Sholapur for instance.

Q. I only want to ask you whether any organisation exists which makes it possible for all the mills to combine in such a joint concern ?

A. There is nothing to prevent them from doing that.

Q. I only want to know, on the question of organisation, whether there is any concerted action or whether there is any possibility of concerted action ?

A. If each of those mills is a separate financial concern, how can they take concerted action ?

A. *Mr. Geddis.*—It would mean that all the offices would have to share one office building.

Q. But there must be some limit. The only way would be to start a central power station to which different companies could subscribe and take shares. I want to know whether that would be possible ?

A. Yes ; it is possible if you start a separate corporation.

A. *Mr. C. N. Wadia.*—But is it at the back of your mind that such a central generating station generates power much cheaper than individual mills ?

Q. Yes.

A. That is incorrect ; because the power required in cotton mills is so large that each individual mill can generate power just as cheaply as a central station.

Q. As regards these mills, you have answered Question 12 generally. You have not told us, in fact, what is the main cause of their going into liquidation and so on. Can you give us an idea of what has brought about this condition ? It is not merely the present depression. Things have probably been going from bad to worse for some time.

A. *Mr. Mody* —Continued losses ; that is the obvious answer.

Q. So it is not due to the present depression ?

A. *Mr. Geddis.*—Surely it is due to the present depression.

Q. Continued losses since when ?

A. *Mr. Mody.*—Since 1922.

A. *Mr. C. N. Wadia.*—During the existence of our industry for the last thirty years, except for two or three periods when we got prosperity as a result of war, we have been suffering from depression for one cause or another.

Q. We are dealing now with the present depression. Are you prepared to say that the financial failure of these mills is due entirely to the present depression ?

A. *Sir N. N. Wadia.*—It is always the last straw which breaks the camel's back.

President.—Three years, of losses following on five years of unexampled prosperity, 1918 to 1923 ?

A. Yes.

Mr. Subba Rao.—With regard to a question of fact, you said that in Japan there was no depression in 1920 or if there was one they made no efforts to meet it. This is the American Report I have on the Japanese cotton industry. It says that there was a depression in 1919-1920 and that the cotton companies did restrict the number of days of work. First they took action to reduce the number of working days by four days a month. Later on they decided to reduce operations by 30 per cent. Thus there was a depression and they did make some effort to meet it.

A. *Sir N. N. Wadia.*—But the four days was the Sunday stoppage which they had not before.

Q. Any way that is the fact brought out by an impartial outsider. The next thing is that I want to get your impressions and correct my own impressions as to certain facts. I have taken my figures from your statistical abstract and I draw certain inferences from the figures which you may examine. In view of the fact that the number of spindles has increased but not the amount of yarn, would I be right in saying that the capacity for spinning has been outrunning actual production ?

A. I do not follow the figures.

Q. I have taken them from your returns. I have taken the number of spindles at the end of 1903 and then at the end of 1925. Of course there was the strike. Then I have taken the production into account for the years 1902-03 and 1924-25. Now would it be correct to say, allowing for the strike in 1924 for a couple of months in Bombay, that the capacity for production of yarn has outrun actual production ?

A. You have taken the total production and not deducted therefrom the yarn used for weaving.

Q. The yarn produced in mills ?

A. You must compare what you put in the market.

Q. I am speaking of the capacity of production in the mills

A. *Mr. Mody.*—Have you taken into account the reduction in the hours of work ?

Q. I have not.

A. That is a very material point.

A. *Sir N. N. Wadia.*—We will give a reply to-morrow ; we have not studied these figures

Q. Please look at the figures in the last column giving the amount of cloth woven, grey goods and coloured goods. Would I be right in saying that there is a shift from grey goods to coloured goods, especially in Bombay City ?

A. I do not think you can compare percentages. For instance, take Bombay Island. You say in these figures that the grey goods produced in 1902-03 in Bombay amount to 369 million yards and those in 1924-25 to 605 million yards. Therefore you will say the percentage increase is about 64, and with respect to coloured goods your figures say that in 1902-03 they were 102 million yards and in 1924-25, 368 million yards. Therefore the increase in percentage is 368. Well, if you take percentages on smaller quantities, of course, they will be wrong.

Q. I only want to know the movement. Is there a shift or not ? Look at the table of figures and let me know to-morrow.

Let us get on to the facts relating to depression. In the first place you say that the intensity is greater in Bombay than in the up-country centres. Is it so ? Is that borne out by any of your records ? Is it borne out by the statement of profits that the Bombay mills have been making as compared with the profits of the up-country mills ?

A. You have got the figures of profits.

President.—We have not got the figures for up-country mills.

Mr. Subba Rao.—I want you to tell us what the facts are in regard to up-country mills.

A. We did not take the up-country mills into account when we prepared that statement for Bombay mills.

Q. Can you supply us with information about the up-country mills ?

A. We cannot get the figures of the up-country mills, because there are a great many private companies.

Q. You say the intensity is greater here. I want to know what data you have to support that statement. Is it a matter of mere general impression ?

A. Yes.

Q. Then in answer to Question 4, as to whether you consider that, unless the present margin between the price of raw cotton and the price of yarn and piece-goods increases, any mills now working will be compelled to close down, you answer in the affirmative. What are the directions in which the margin may be increased ? In what different ways could the margin between raw cotton prices and the prices of yarn and piece-goods be increased ?

A. That we have shown in our original statement, by reduction of costs for instance.

Q. Is the alternative implied not lower costs but higher prices ?

A. Yes.

Q. Everywhere we find that when there is depression there is a decline in production. Is that borne out by the figures of the Indian cotton industry ? If there is a depression in a given industry, the number of labourers *falls* off, the amount of production falls off and so on. Is that true of the Indian cotton industry, especially in Bombay ?

A. It is not necessarily so.

Q. Therefore the depression in the Indian cotton industry is not a depression in production or a deduction in labour employed, but a depression of profits only ?

A. I do not quite understand you.

Q. This is my point : In other countries, when there is anything like alternation from prosperity to depression, what happens is that mills or the various businesses reduce their operations, for instance, by decreasing the number of labourers and thereby reducing the output. But so far as the figures here go, the Indian mill industry, even in Bombay, seems to be increasing its output and not decreasing it.

A. If there was not outside competition and we were not afraid of somebody else coming and taking our markets, we might logically consider reduction in production. But as long as outside competition is there, we are not going to allow them to get a strong footing here.

President.—The depression is not such that a single mill in Bombay is not working at the moment ? That is, there is not a single mill in Bombay which is not working at the moment ? Even the Diamond mill is working at present.

A. *Mr. C. N. Wadia.*—Every mill has to work in order that it may live. If, as Mr. Subba Rao says, you discharge the labourers and curtail production, you raise the cost of production by doing so and therefore your last stage will be worse than your first stage. Therefore in order to live, although we may be losing, we have got to continue working in order to compete with the stock coming in from outside. Otherwise, our condition will be worse. Is it what you want ?

Mr. Subba Rao.—That is not what I want, but I take it as your reply.

A. Again from coming from a six days week to five days week, we found out that our cost would go up by ¾ anna, because the spinning prices remain the same.

Q. So you are trying to keep the production at the same level as before or even trying to increase the production to keep down your costs by distributing overhead charges over a larger volume of production and secondly to continue to employ labourers and not discharge then ?

A. Yes.

Q. With regard to the twelve mills mentioned, is it possible for you now or later to give us information about their history before the boom? We want to know what was happening to them before the boom, whether they made any profits then. Could you give us their balance sheets or some information on a reliable basis ? It is not sufficient to say that they are now in trouble.

A. We will try and see if we can get it.

Q. We cannot draw any conclusion from their present condition unless we have that information. We want to know if they are merely weaklings or whether they were doing well before the boom.

One question about world factors or causes that affect the cotton industry throughout the world. Your reply seems to imply that these factors are of no special importance in India. Now as I understand, after the war, there has been a shifting of balance of advantage from the food producing countries to the manufacturing countries. The prices of foodstuffs have not risen so high as those of the manufactured goods. That means that the demand for manufactured goods is bound to be reduced as a result of the relation between food products and manufactured goods. Does that not affect India also ?

A. Sir N. N. Wadia.—I think these are all problems which you might well refer to the Economic Enquiry Committee, and not to us, Sir. That is the best answer that I can give.

Q. If the purchasing power of the buyer has been reduced or has not increased.....

A. What is the purchasing power ? Again that is attributed to various causes. My friend Sir Basil Blackett says one thing and Sir Charles Innes says another thing.

Q. But let us take the fact. The fact is that he cannot get as high a price for his goods relatively as he has got to pay for the finished goods because the demand for them is reduced. Surely the countries in Europe and elsewhere cannot offer for raw materials and foodstuffs sufficiently high prices. Would that not react upon the purchasing power of the Indian consumer ?

A. *Mr. Mody.*—It won't. Your question is beyond me to answer.

Q. I won't press it. You say the world factors have no influence whatever. But the main factor is the relation between the agricultural commodities and manufactured goods and India producing foodstuffs is affected by that factor. That is what I suggest.

Mr. Majmudar.—Are the spinning mills losing more than the weaving mills ?

A. *Sir N. N. Wadia.*—I think so.

Q. Have the financially weak mills suffered more than those with ample finance ?

A. Yes.

Q. Have the mills producing grey cloth suffered most ?

A. I don't think so. All mills produce both grey cloth and coloured cloth.

Q. With reference to the closing down of mills and discharging of labour in hard times, once you discharge labour, would you be able to get the same kind of labour ?

A. I doubt it. The labour is bound to be disorganised.

Q. And the machinery also would suffer ?

A. Of course ; in every establishment it would suffer.

Q. What percentage of the up-country mills are members of the Bombay Millowners' Association ?

A. Out of 337 mills in India, 73 in Bombay are members of the Millowners' Association and 27 belong to up-country.

Mr. Majmudar.—As regards the jute mills, you are aware that the jute mill-owners have taken to restriction of production ? That is not possible in the case of cotton mills ?

A. *Sir N. N. Wadia.*—I do not see how it can be possible. Theirs is a monopolist industry and they have not to suffer competition from outside.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

President.—In your original statement submitted to the Board you have gone a long way back. I am not quite sure myself whether this is not rather past history. We are here to discuss the causes of the present depression. You attribute the beginnings of your trouble to the loss of the Chinese market for yarn, going back to the closing of the mints in 1893. But did not Japan go on to a gold basis in 1898 ?

A. *Sir N. N. Wadia.*—Yes.

Q. Did that not put Japan practically in the same position as India from that time onwards ? You were both dealing with a silver country. The closing of the mints in 1893 made India a gold exchange standard country ?

A. Japan got the advantage first.

Q. But you had the advantage at the end of five years. You had by that time recovered to some extent from the dislocation which Japan was then beginning to pass through. Admitting that the closing of the mints brought about a dislocation in India, at the end of five years you were in a stronger position than Japan which was just beginning to pass through the difficult period ?

A. *Mr. C. N. Wadia.*—We had five years of currency trouble and our pockets were empty.

Q. But the mill industry in India was then a stronger industry than the Japanese industry which was only beginning at that time ?

A. Yes. Another fact was that the Japanese ratio of silver was of a lower standard than ours. I think the Japanese standard was considerably lower than 1*s.* 4*d.*

Q. You say that the closing of the mints meant that you had to sell your goods in China at sacrifice prices. You have not produced any evidence before us to show that you were actually selling at sacrifice prices. In 1893 you yourself recorded a slow and steady advance of prices in China. What I want to know is whether it was not this which kept the yarn trade in China alive. In 1903 for instance China was importing 350 million pounds of yarn. In 1924 she imported only 84 million pounds of which I think 63 millions came from Japan and 21 millions from India ?

A. *Sir N. N. Wadia.*—I do not understand. In 1900 there were only 550 thousand spindles, but now there are 3½ millions.

Q. The point I am leading up to is this. From 1893 onwards China had to buy yarn from somewhere. She could not get it from Japan because the Japanese industry was not then in a position to supply it. Therefore she had to take Indian yarn ?

A. At sacrifice prices. You will see the number of spindles in Japan in 1899 was 107 thousand and in 1902 it was 381 thousand. She progressed in five years.

Q. But even so from 1893 onwards China had to buy yarn from somewhere ?

A. She bought it from Japan when possible and increased her spindles.

Q. The exports of yarn from India to China took 15 years to show an appreciable decrease. Is not that a very long time ?

A. When a man has got a trade he does not want to let it go but will carry it on even at a loss.

Q. Have you any figures to show at what price you were selling yarn in China during those fifteen years ? If you attach importance to this I think it is up to you to give us figures which will show that you were selling at sacrifice prices for fifteen years, in other words that you were dumping in China ?

A. How could we dump in China ? China was not producing anything. No, Sir. You used the word 'dumping'; so, I must say that China was not producing anything then. How then could you use the word 'dumping'.

Q. If you were selling at sacrifice prices, you were selling at lower prices than in India ?

A. Not necessarily Sir. I do not agree with you there again.

Q. If you were selling in China at the same price that you were selling in India how could you be losing in your yarn trade ?

A. China was taking from us 10s, 12s and 14s. In these we wanted only small quantities for India.

Let us know what exactly is the statement you want. We will look it up.

Q. My point is this—I myself do not attach much importance to this point, but you do. You attribute your troubles, your present troubles, largely to the loss of the China trade in yarn, the origin of which you state was the currency policy of 1893 and you say that as a result of that you had to sell your yarn in China at sacrifice prices and that this has reacted on you up to the present day. I think that if you hold that view, it is up to you to establish by facts and figures that you were actually selling in China at a price which did not give you at any rate a margin of profit that you had a right to expect.

A. I do not understand how correctly to answer your remarks. But if you will turn to Table 1 on page 60 of the Statement submitted to the Tariff Board by our Association you will see that in 1895 there were in Bombay 21 lakhs spindles and 20 thousand looms. Now on an average it takes 30 spindles to keep one loom going. So you will have to use practically 600 thousand spindles to produce the weaving yarn for the looms and 15 lakhs spindles would be spare for the moment. Now take the position to-day. Last year there were 72 thousand looms. That means 22 lakhs spindles would have to be producing yarn for them. The result is that we have only 12 lakhs spindles for yarn. That naturally shows that we had to put in looms to take up the production of our spindles. The amount of spindles free for the market is less to-day than before.

Q. But is it not natural that you should want to weave your own cloth ?

A. We were forced to. When one market failed we had to take the next market.

Q. But you did not lose the market till 1910 at the earliest ?

A. No, Sir. If you see the increase in looms you will see how rapidly the looms were going up.

Q. I am looking at your yarn exports to China. Up to 1910 you were exporting over 200 thousand pounds of yarn to China every year. Can you call that a lost market ?

A. We had to sell somewhere, even at a sacrifice.

Q. Do you mean that you were actually selling at prices which involved even a loss ?

A. Yes.

Q. Actually involved you in loss ?

A. At times even that.

Q. But were you doing that for fifteen years consecutively, sending out a very large portion of your manufactured yarn at a loss for fifteen years ?

Raja Hari Kishan Kaul.—At the same time increasing your spindleage ?

A. *Mr. Mody.*—What is the point you are trying to make ?

President.—The point I am trying to get at is this. You say that to a large extent it is the loss of the China market in yarn that has brought about your present troubles and I am trying to ascertain exactly how it produced your present difficulty. Also, you say that you were selling yarn in China at sacrifice prices, but there is no evidence given about that in your original representation ?

A. *Mr. Mody.*—Even in the years immediately following the closing of the mints ?

A. *Sir N. N. Wadia.*—We will see what evidence we have. We have given chapter and verse to the Government of India. We will see that original statement. They themselves acknowledged it.

Q. They acknowledged that the change in the currency policy caused you a great deal of trouble, but they did not acknowledge that for fifteen years you were selling yarn in China at sacrifice prices. You yourselves, as I have already pointed out, say that there was a slow and steady compensating advance of prices in China. That is your own statement. You say ' These influences, coupled with a slow but steady compensating advance in prices in China, have gone a great way towards restoring the industry to a sounder basis, but it will be a long time before lost ground can be recovered, to say nothing of further development '....

A. That is from our own report.

Q. Yes, my point is, do you consider that the effects of the change in currency policy lasted for fifteen years and that there was no corresponding adjustment ?

A. *Mr. Mody.*—We have already told you in our representation that there was another adverse influence which came into operation about this time and that was the growth of the cotton mill industry in Japan. We do not attribute all our troubles to the closing of the mints. We say there were other causes as well.

Q. But, that is the cause to which you attach most importance ?

A. Yes. If you look at page 6, you will see that we regard the growth of the Japanese mill industry as another adverse influence on the industry.

Q. I am not disputing that the immediate effect of the change of conditions was marked, but what I am trying to get at is some evidence that it lasted for fifteen years and that you were selling at sacrifice prices for fifteen years.

A. *Sir N. N. Wadia.*—We will look it up.

Q. We merely want evidence in support of the contention. Its correctness or otherwise is not a matter on which we are expressing an opinion.

A. *Mr. Mody.*—In any case, Sir, the ill-effects were observed at least till the end of the century. At the bottom of page 7 we have given an extract from the Review of the Trade of British India which is an official document unconnected with us. In the same official publication for 1900-01 we read :—

> 'Many of the mills were closed entirely ; others worked short hours ; very few worked at a profit.'

Q. That has nothing to do with any special cause such as the condition of affairs in China. You have taken these extracts if I may say so for abnormal years. You have not shown that these years for which you have taken extracts from the Review of the Trade of British India, were normal years. I think those two years or at least one of them was a famine year. That had nothing to do with conditions in China.

A. *Sir N. N. Wadia.*—I cannot say that without looking up the records.

A. *Mr. Geddis.*—We were brought to that pass by the combination of circumstances.

Q. Wasn't it a fact that in these years there was plague raging in Bombay and people were leaving the city and that your production fell down enormously.

A. *Mr. Geddis.*—We said so.

Q. Wouldn't that be a very much more prominent factor than exchange in the China yarn trade ?

A. We suggest a combination of all these circumstances.

Q. The production of yarn in Bombay in 1900-01 fell by over 130 million pounds. Was not that obviously due to plague ?

A. *Mr. Mody.*—Our point is that in the sense that the prosperity of the Bombay mill industry depended very largely on the healthy conditions of its export trade to China the dislocation of that trade was a material cause.

Q. But can a trade be said to disappear in which the export continues on an increased level for fifteen years after the cause of dislocation ?

A. We have mentioned in another place that the trade became very speculative and there were violent fluctuations. We do not say that the volume of exports to China decreased seriously during these fifteen years, but we do say that the trade ceased to be remunerative.

Q. It depends on what you mean by 'remunerative.' It seems to me, with all deference to you, that the trade which lasted for fifteen years must be remunerative, or it could not last.

A. *Sir N. N. Wadia.*—I will look up that extract tomorrow.

Q. As regards this China trade, before we pass on, I would like to get your views on these two remarks by two past Presidents of the Millowners' Association. Mr. Narottam Morarji in 1914 said that to a very large extent it was the fault of the Indian mills that they were allowing Japanese yarn to steal a march over their own and that Mr. Consul Hosie had reported that Indian yarn was very defective compared with Japanese yarn in the quality of reeling strength, orderly bundling, packing and so on. Again in 1915-16 Mr. N. B. Saklatvala referred to the organized action and superior production and thorough business methods of the Japanese. Don't you consider that these factors may also have played some part in the loss of Chinese market for yarn ?

A. These are minor factors. We may say that we ought to pay a little more attention to our markets but that does not mean that we have lost our markets through not paying any attention at all. I do not think your conclusion is correct. That is all I can say.

Q. I am not drawing any conclusions. I am merely asking a question which is how far you consider these factors played a part in the loss of the Chinese market ?

A. *Mr. Mody.*—To a very limited extent.

Q. You really must not think that because I have asked the question how far those factors played a part in the loss of the China market, I am drawing any inferences. I am not. I am merely endeavouring to elicit your views.

A. *Mr. Saklatvala.*—Sir, I am responsible for those views. I have forgotten what I said. I think I referred to organised action and thorough business methods.

I think the whole trouble began with the export of Indian cotton to Japan. Before that we had no competition in the China market. Of course if we go into the whole history they had certain shipping advantages and others to which I suppose you will come at a later point, but they certainly have got their organizations for export trade. This year they are given ten per cent. rebate on the export trade from the price at which they sell in their own country. They employ these methods for fostering their outside trade and I think they have the pull over us because we have no such organization ourselves.

A. *Sir N. N. Wadia.*—The answer to your question is, to a very small extent it may have affected.

Q. It would seem from the recent figures that the main factor has been the growth of the Chinese mills. As I pointed out to you just now, in 1924 there were only 83 million pounds of yarn imported into China. The imports dropped by somewhere about 260 million pounds from 1902. The Japanese are suffering almost as much as you are now.

A. *Mr. Saklatvala.*—The Japanese own a good many mills there.

A. *Sir N. N. Wadia.*—In 1902 India exported 232 million pounds as against 180 from Japan, but Japan slowly has come up and now they have three times the export that we have—63 against 20.

Q. They have lost heavily of late.

There are a good many questions which can now be taken together, those which relate to the exact extent of competition of imported piece-goods with Indian goods. I must say that it has been rather a disappointment to this Board that the Millowners' Association has not been able to give us more complete information in regard to the classes of piece-goods that are coming into India. Japanese competition is hardly a new feature at this stage. It has been going on for four or five years. One of the first things we naturally asked you when we started this enquiry was for as complete a range of samples as possible of the Japanese goods that are coming into India which are competing with your products. But all the samples we have got so far have been those we have collected ourselves. I cannot understand how it is that, from the beginning of the time that Japanese competition was felt, the Millowners' Association kept no record of Japanese prices or Japanese qualities in order to show us how they compare with their own. It would have been of immense help to us if we had as complete a range of Japanese prices for the last few years and also a record of qualities, and if we had also a representative selection of samples of cloth which are at present coming in.

A. Don't you think you can get these figures from the Customs Department of the Government of India better than we can supply them? We have to depend on publications of the Government of India but the Customs Department has got all the figures.

Q. If anybody has to supply the material, I do not think it is the duty of the Tariff Board to supply it. It would seem the duty of the body which has asked for protection.

A. We can only supply the particulars we have got. We cannot manufacture particulars for you, Sir.

Q. My point is that from the time Japanese competition began, would it not have been advisable for you to collect this information?

A. How can we collect this? For instance we do not know how much quantity of drill come into the Indian market. The Customs Department is the proper authority.

Q. I do not think I mentioned quantity. We have got particulars of quantity. My point is that we want particulars of quality. A very great deal hinges on the exact quality of the goods that are coming into the country, that is on the counts of which they consist. You have asked for protection against foreign countries on the ground that their goods compete with yours. We want to know how far it is the case that these goods from foreign countries compete with yours and we can only do so by examining the qualities. You yourself have been good enough to test a great many samples, but what I do not quite realise is why the millowners as a body have not taken up this work before.

A. Well, Sir, we have not collected the statistics, nor have we got the samples.

Q. It is unfortunate from our point of view. It is a matter of vital importance. If we could know for the last four or five years the Japanese prices for goods and how they compare with your own for similar qualities it would simplify our work enormously. As it is all we can now do is to try to get that information in regard to present conditions.

A. *Mr. Maloney.*—We have samples of cloth. We sent them to the Government of India about twelve months ago. We collected prices and samples as well to prove dumping from Japan. We still have not heard from the Government of India.

Q. They have handed over the whole enquiry to us but they have not given us the samples.

A. I have got a telegram to-day that the samples we collected for them are being despatched.

Q. How many did you collect ?

A. Half a dozen.

Q. I take it that the lines in which Japan competes closely are drills and jeans, shirtings and long cloth and to a much less extent T cloth and domestics. There is very little competition in bleached goods. Isn't that so ?

A. *Sir N. N. Wadia.*—It is growing, but it is very little now.

Q. More competition in dyed goods ?

A. *Mr. Maloney.*—Growing again.

Q. That brings me to another small point. It seems to me it would be of some use if, in estimating the exact extent of foreign competition, grey and bleached piece-goods were separated in the monthly statistics issued for Indian mills. Do you see any objection to that ? It seems that it would throw a good deal of light on this question of foreign competition if grey and bleached piece-goods were separated in the monthly statistics of cotton spinning and weaving in Indian mills as they are in the Overseas Trade returns.

A. *Sir N. N. Wadia.*—They do not want it.

Q. There is no objection to that, I take it ?

A. I do not think so.

Q. It would be a more useful form ?

A. If we get the forms we will supply any information we have.

Q. What do you call a medium count ? What is your definition ?

A. 31s to 40s. Anything over 20s.

Q. You consider the competition of Japanese yarn of counts 31s to 40s serious ? The Indian mills are turning out a very small production of those counts ?

A. The total import was 26 million pounds.

Q. And from the United Kingdom ?

A. We cannot tell because they are not separated in the accounts, in the sea-borne trade. The total import is 26 millions as against 19 millions Indian production.

Raja Hari Kishan Kaul.—The imports of yarn from Japan up to 40s amount to 80 per cent. of the total.

President.—In regard to cloth you also consider that cloth between 31s and 40s would be considered cloth of medium counts ?

A. That is the general trade description. The total imports of piece-goods from Japan last year came up to 216 million yards.

Q. Our difficulty is that in the absence of any classification of imported cloth by counts it is impossible to estimate the exact extent of the competition between Japan, United Kingdom and India.

A. That is our difficulty too, Sir.

Q. It seems to point to the need for some alteration in the tariff, the necessity for specific duties as opposed to *ad valorem* duties. That would give you the information ?

A. Perhaps that is why the Japanese have a specific duty.

Q. That does not necessarily follow. The point is whether the specific duty would give you any clearer indication ?

A. If you impose a specific duty on the weight of the cloth and the counts.

Mr. Majmudar.—If you take it by counts, perhaps you may have to fix a higher duty as the counts go finer ?

A. Your counts would be different from mine. There might be a difference of half a dozen counts. It is very difficult when you come to the analysis of cloth.

Q. There might be a difference of two or three counts ?
A. I have seen four counts difference in the same cloth when analysed by two mills.

President.—Can you tell us what are the lowest counts exported from the United Kingdom to India ?
A. At one time they used to send a lot of drills of 20s.

Q. What is the lowest count now ?
A. I think just now it is 32s.

Q. If that is so there is a considerable range of competition between Japan and the United Kingdom ? I would draw your attention to page 34 of your reply to the Questionnaire. Out of those eleven sorts there are 2 of over 40s and 3 of over 30s. As a matter of fact you have also given us another statement which covers a much larger range. We sent you 20 samples and of those 20 samples.....
A. It depends on the samples you get, Sir.

Q. We were trying to get as representative a range as possible. I would like to get samples of every kind of cloth that comes in.
A. Ask the Customs Collector.

Q. We have. That was the first thing we did, and the first samples we received were from the Customs Department.
A. Those sent to me ?

Q. Yes, they were all from the Customs. We have got fifty more coming from Calcutta. We will send them along.
My point is in this list 8 are over 40s and 5 over 30s.
A. On page 34 there are only 2 of over 40s. The rest are 20s and 30s. You cannot draw a deduction from that.

Q. It is the only material from which we can draw a deduction.
A. The Customs Department would be the most likely place which could supply you shirtings or sheetings or anything else and what quantities of them are coming in.

Q. We have got figures for shirtings and sheetings. The Overseas Trade Return gives that. My point is that the particular line in which Japan is competing is shirtings and sheetings ?
A. Shirtings, sheetings, drills and jeans.

Q. The biggest imports are shirtings ?
A. You will see in the millowners' representation that the bulk of the shirtings coming are under 40s.

Q. Our information is that the bulk is.....
A. You give me samples and I have to tell you what they compose of. You cannot draw a judgment from that. If you like to form a judgment of the quality of cloth you can get it from the Customs, from the import duty paid.

Q. That is quite impossible until the whole system of tariff valuation on cotton textiles is altered: It is quite impossible to judge the quality of the imported goods until the tariff system is altered ?
A. Yes, that is quite right.

Q. But in present conditions it is quite impossible to estimate the extent to which the United Kingdom, Japan and India are competing. That is the net result of this discussion.
A. *Mr. Mody.*—The Japanese imports that have increased in quality notably in recent years are shirtings, T-cloth and domestics. I will read to you an extract from Mr. Chadwick's letter to our Association, dated the 26th of June 1925. Mr. Chadwick himself has given figures for drills and jeans, long cloth, shirtings, sheetings, T-cloth and domestics. He has made three groups. Then he says that in the first two of these groups Indian mill production supplies 70 per cent. of the market. Imports there are much less than before the war. It is only in regard to shirtings, T-cloths and domestics that ground appears to have been definitely lost. It is in this group that Japanese imports have increased notably. In 1915-16 they were about a million and a half yards ; in 1918-19 it was 52 million yards and it has stayed at a high figure ever since. The point I am trying to make is in this particular quality of cloth Japanese imports have in the first place increased to a very considerable extent—from a million and a half in 1915-16 to 31 millions in 1923-24. Then, there is also this fact to be

considered that in this very class Indian mill production is only about 68 million yards, so that the point I am making is that in this particular class of goods Japanese imports are almost as big as the Indian mill production and therefore this particular class of Indian trade is being killed by Japanese competition.

Q. Another way of looking at it is that the Japanese imports are due to the Indian mills not having paid sufficient attention to this branch ?

A. No, that is not it, Sir. It is in this class of cloth that Japanese competition had increased considerably and they are putting us out of the market, slowly driving us out of the market.

Q. Has your production decreased ?

A. Our point always has been, and we have always maintained it before Sir Charles Innes, Mr. Chadwick and before Government through various representations that the severity of the Japanese competition is not to be judged merely by the fact that the Japanese imports are 200 to 250 million yards as against our own production of 1500 or 1900 million yards. We say that in particular kinds of cloth the competition is very severe. The Japanese concentrate on certain varieties of cloth and are turning us out of the market. They are hitting us in these lines. That is borne out by the figures given by Mr. Chadwick himself.

Q. I see your point. Your point is that at any rate in regard to T-cloth and domestics Japanese imports have definitely taken the place of Indian mill production.

A. That is borne out by the figures.

Q. On the subject of this statement at page 34, I want to know whether the selling price in column 11 is definitely comparable with Japanese prices in column 12, or whether there is anything to be added to make the two prices compare.

A. *Sir N. N. Wadia.*—I do not understand, Sir.

Q. What I mean is this. If I were to buy two pieces of cloth, one of yours and one Japanese cloth, should I be able to get your cloth, say we call it AAA, at Rs. 14-6-0 and the Japanese cloth at Rs. 13.

A. I think I explained in one of my letters how the selling price is arrived at. I distinctly showed that I have added 4½ per cent. for depreciation and 4 per cent. for profit to arrive at the selling price. It is the price at which a mill ought to sell. It is not the actual selling price.

Q. My point is this. In Appendix I the price *ex*-mill and the prices at which similar goods imported from Japan are sold in Bombay are given. Now, by this *ex*-mill price do you mean the selling price ?

A. What we ought to get if we add 4½ per cent. for depreciation charges and a small margin of profit of 4 per cent.

Q. What about the Japanese prices in the bazaar ?

A. Those were what we have ascertained ourselves.

Mr. Majmudar.—I want to know whether both these are wholesale or retail prices ?

A. Column 11 shows the price we might sell at. That covers depreciation and there is a reasonable profit. It is not the actual market price.

President.—Would you be right in saying for instance on the basis of this price that you get grey drill from your mill at a lower price than you can buy Japanese stuff ?

A. *Sir N. N. Wadia.*—At present it is so. At present the prices are about the same.

Q. You mean the wholesale Japanese price ?

A. Yes.

Q. And the wholesale mill price ?

A. Yes.

Q. Then the two things are comparable. They represent exactly the same thing. There is no question of another commission or anything of that kind as between the two ?

A. We have not to add another commission to get at the cost price. Column 11 shows what we ought to get. It is not the selling price. It is what it ought to be sold at.

Q. Quite so. Then again, your list is much more unfavourable than ours. In your list there are only three out of eight in which the selling price is less than the Japanese price in the bazaar. In our list we have got 13 out of 18.

A. I am not sure of those prices. I enquired from the men, I am not sure from whom you enquired.

Q. Yes, we will do so. We are making further enquiries.

Q. Our list is a little more favourable to you than yours.
A. You supplied me with samples and we made the examination.

Q. Then as regards this question of Japanese prices in India as compared with Japanese prices in Japan, the net result of your reply to Question 17 is that there is no evidence available to show that Japanese are dumping in India ?
A. Did you see the reply which the Japanese themselves gave in 1922 to the Fiscal Commission ? It is at page 930 of volume III. The question is No. 20928. The question was 'Was not the Japanese consumer obliged to pay a higher price in consequence of the duty ? The answer was 'economically speaking you are quite right. The class of people who had a liking for the imported goods had to pay more money for them, but as long as our industry is growing up and can supply the people with the same quality of yarn and cloth it would not hurt the people.' A similar answer has been given time after time.

Q. They are talking about imports into Japan, not exports.
A. That is quite true, but your argument is whether the price of the very cloth is higher in Japan than here. On page 935 you will see another question. Question No. 21119. The question reads 'Do you sell your cloths for the same price in India as you do in Japan ?' The answer was 'The kind of cloth used in Japan is quite different from that used in India'. The next question was 'suppose there is one uniform quality which you are selling in Japan and you are selling the same in India. Won't it be that in Japan you would be selling it at a lower price than you would be selling it here, because you have got to pay freight, insurance and other charges ?' Then the President said that the question was whether the Japanese goods were not dearer in India than in Japan. The answer given was 'that is so.'

Q. That is the point I was making. You have no evidence that they are selling goods cheaper in India than in Japan ?
A. The kind of goods that they sell in Japan are not identical with the kind of goods sold here.

A. *Mr. Maloney.*—There is an enquiry being made by the Government of India at the present time in regard to certain samples submitted to them and I heard to-day that they have completed the investigations in regard to dumping.

A. *Sir N. N. Wadia.*—You may note this, Sir. It is very interesting.

President.—With regard to medium counts, that is counts from 20s to 40s, what the Millowners' Association describe as the price cutting policy of Japan has only been in operation for the last three or four years if it is only that which has prevented more rapid development. The point is this. You say in your reply to Q. 19 that it is only the price cutting policy of Japan which so far has prevented the more rapid development in the medium count trade in yarn. If that is so, and the price cutting policy of Japan has only been in operation during the last three or four years, how is it that there has not been any development between 1907 and 1922 when this policy was not in operation ?
A. It is because, as we have stated, of the exchange and other reasons. We have distinctly stated the reasons.

Q. My point is this. The production of counts from 30s to 40s was less in 1924-25 than it was in 1907-08. Between 1907-08 and at any rate 1922, there was no question of the price cutting policy of Japan operating to prevent the development of the manufacture of 30s to 40s counts. What then stood in the way of development ?
A. *Mr. Mody.*—My answer is that the necessity was not felt in those years. Not that the times were exactly prosperous. We want to develop higher counts and the only thing is the Japanese competition. The necessity was not felt in those years and there was no expansion and now when we find that the expansion in finer counts is a good thing, we have this competition in our way.

A. *Sir N. N. Wadia.*—I do not follow your question, Sir.

Q. My point is that in 1907-08 there were 22 million pounds of yarn from 31s to 40s manufactured. In 1920-21, you got down to 15 million pounds. Between 1907-08 and 1920 there was no question of the price cutting policy of Japan.
A. There was the war. The position is entirely changed.

Q. If you look at the figures for 1913-14 or 1912-13, you find that there was no development whatever of fine counts previous to the war. There was a steady decline before the war. I want to know what this is due to. Do you agree with Mr. Mody's answer ?
A. I cannot say that there is a steady decline in the first place.

Mr. Subba Rao.—As the figures stand ?

A. It is only one million in 1918, 1919 and 1920.

President.—Take the pre-war figures. There is no development whatever.

A. Yes; there is no development.

Q. Why ?

A. Because we have not had long staple cotton here. It is entirely due to the kind of cotton. We have not got here long enough staple cotton to produce much above 34s.

Q. So that is not due to the Japanese price cutting policy ?

A. Mr. Noyce was my colleague in the Cotton Committee; he knows that point very well.

President.—I want to have the point on record. The point is really that as regards counts over 30s. India has no natural advantage.

A. We hope that the Central Cotton Committee which is now working will make some proposals regarding it. If we can get good cotton, we can produce those counts.

A. *Mr. Mody.*—I want to make it plain that the reason why there has not been any development between the year 1907 and 1922 is that the necessity for the development was not felt. When the necessity is felt we find ourselves up against our competitors.

A. *Sir N. N. Wadia.*—I do not agree with Mr. Mody. The main cause is that we have not got the required cotton. I am afraid Mr. Mody has not studied the facts when he is making that statement.

A. *Mr. Mody.*—I think the President is referring to Sir N. N. Wadia's statement itself.

A. *Sir N. N. Wadia.*—Yes; it is true.

Q. Have you at any time worked any correlation between Japanese imports and exchange ?

A. *Sir N. N. Wadia.*—Every time the Japanese exchange goes down more Japanese cotton goods come into India.

Q. Why are you not getting flooded with Italian, French and Belgium goods ?

A. There is the question of distance and the point of freight.

Q. Are you further away from France than from Japan ?

A. Actually no; but you have an organised trade here, from Japan to Bombay, from Japan to Calcutta, from Japan to Madras and so on. The trade is being carried on already for a considerable time and an expansion of it merely presents no difficulty in the case of Japan. But with regard to Italy, France and other countries, even with depreciated exchange, they are not in the same position to carry on the trade.

President.—Have the millowners worked out any correlation between the Japanese imports and the exchange ? Have you ever worked out to your own satisfaction any graph or diagram to show how imports have gone up with the depreciation in the Japanese exchange ?

A. I think, sir, we had put down the figures but we have not printed them here in the table which we gave you regarding exchange on page 17. We did put down the figures of imports and we can easily supply you with copies.

Q. I do not know whether Mr. Maloney has been able to circulate to you the representation of the Japan Cotton Spinners Association which only reached us on Saturday. They make various criticisms of the way in which you worked out this table on page 17. Perhaps the best plan would be if you could find time to look at those criticisms to-night. It is rather a long statement of about 20 typed pages. We can give you copies to-day of the first three pages which contain their criticism of your table on page 17.

A. *Mr. Geddis.*—Perhaps we might try to answer those criticisms now.

Q. Their main criticism is that you have taken 190 yen for overhead charges.

A. *Sir N. N. Wadia.*—It is for all charges. Not overhead charges alone. Overhead charges is wrong there. It should be manufacturing charges.

Q. Surely it is all charges including overhead charges.

A. Yes. That is quite right.

Q. Their main criticism is that you say that manufacturing charges in Japan are not more than 80 per cent. than the manufacturing charges in Bombay. You were only working on cost of labour ?

A. No; everything.

Q. Yes; that is the point. You should have taken only the cost of labour and nothing else. You have taken all the overhead charges, taking interest, insurance and everything.

A. Total manufacturing charges, that is what we have taken. In printing, on page 17, we have made a mistake of putting overhead charges. We ought to have put all manufacturing charges.

Q. Their point is that you have taken 190 for all charges on the basis of Japanese manufacturing charges being not more than 80 per cent. of the manufacturing charges in Bombay.

A. If our figure is wrong it is for them to say what their figure is. Let us know what their figure is.

Q. Your point is that Japanese efficiency in labour is more by 20 per cent.

A. The whole of their charges is 20 per cent. less than ours. That is what we mean.

Q. Why is it 20 per cent. less?

A. Because there are certain things, for instance, stores and chemicals which they produce themselves whereas we import them and pay import duties on the articles we consume. But they do not. They generally produce mill stores in their own countries. For instance the Japanese bobbins are 40 per cent. cheaper than English bobbins which we use though the former are not as good as the latter. The same thing with regard to shuttles and chemicals like magnesium chloride.

Q. Do they produce magnesium chloride?

A. Yes.

Q. I do not quite see how this can make up 20 per cent; because according to your representative their night shifts only give them an advantage of 5 per cent. There remains a difference of 15 per cent.

A. That is due to their using their own stores and other labour efficiency. All that we have taken into account and this was the figure we arrived at from what information we had.

Raja Hari Kishan Kaul.—You worked it out?

A. We cannot work it out. As we would not give our costs to others, they will not give us their costs. But we assume it from certain data.

Q.—It is mere guess work?

A.—It is not guess work. It is more or less an approximate figure.

President.—There is a good deal of information of Japanese costs of production in the United States Tariff Commission Report. Have you been able to work out anything from them?

A. *Mr. Maloney.*—No. Our chief source of information is their monthly statements in which they give the average wages for male and female operatives. But even then we cannot come to any exact figure because we do not know whether they take in managers, or anything like that. And from them we find that their labour costs are considerably less than ours.

Q. Do they give their costs of production in their statement?

A. No, but if we are wrong we shall be glad to hear what their costs are.

Q. They also object to your allowance for freight as sufficient to meet shipping expenses both ways. The lowest figure worked out by them is nearly 30 yen excluding commission on both sides.

A. Have they taken into account the rebate they get on cotton? It is very funny. In the evidence before the Fiscal Commission they said it was 23 yen from Bombay to Japan and until they were pressed they would not admit that they got a rebate of 10 yen per ton and the rate per bale of cotton works at 3·16 yen?

A. *Mr. Maloney.*—The present freight rate is 3·16 yen per bale or about Rs. 8 per candy.

Q. They also object to your column 7 regarding the price of Broach cotton on the ground that it merely shows the price of Broach cotton per candy converted into yen. They say "To this must be added interest charges for three months on cotton stocks."

A. *Sir N. N. Wadia.*—We carry three months cotton stocks ourselves and sometimes for a longer period too.

Q. That is possible. At any rate, they have got those charges?

A. So have we.

Q. I am not denying that. But what I want to know is whether it would not have been fairer to give them credit for those months.

A. Then we could have increased our cost of Broach cotton. We would have added the extra interest charges in column 4.

Mr. Majmudar.—But they would be carrying their stocks also for three months. That means you must allow them for 6 months.

A. According to their arrangements the Cotton Association carries the stocks. Here we carry them ourselves.

President.—Anyway there would be a margin of about a month for transit ?

A. I do not know. I carry cotton sometimes from March until December. If Mills in Bombay want to use good staple cotton, they have to carry for some months.

Q. Do I understand the view of the Millowners' Association is that a 1*s.* 6*d.* value is a general handicap and that prices will never adjust themselves to that level ?

A. Do you think, Sir, in the first instance, that labour will ever come down ?

Q. It is not for us to express an opinion at this stage.

A. We said distinctly that labour would never come down. Our main cost of production is labour. Do you think at 1*s.* 6*d.* exchange, our labour will come down ?

Q. It is not for us to say anything at this stage.

A. It is one of the points which Sir Purushottamdas Thakurdas emphasised in his dissenting minute. He does not think that labour charges will come down and we are of the same opinion.

Q. It is very difficult to prophesy, as you yourselves reminded us this morning.

A. Yes. But we can speak from past experience. When we tried to curtail wages, there was a strike. Labour, for instance, forms today 30 per cent. of our cost of production.

Q. What percentage are you allowing for the cost of cotton ?

A. About 50 per cent.

Q. 30 per cent. for labour and 50 per cent. for cotton, and 20 per cent. for everything else ?

A. If you refer to page 27 of our statement you find that 40 pies out of 95 go to labour. That does not include cost of cotton.

Q. Just give us a sort of average price per lb. of cotton, taking Broach for instance ?

A. Broach today will be Rs. 347 or 350. per candy.

Q. We can take it at about annas 8 a lb. ?

A. At annas 7 it works to at 8$\frac{1}{2}$ and our cost works out at 95 pies.

Q. So labour works out at 20 per cent. of the total cost of production ?

A. It varies from 20 to 25 per cent.

Q. With regard to the cost of production on page 27, is it the cost of production for all cloth turned out in your mill ?

A. Yes, during that year.

Q.—Then on those figures, we get 20 per cent. for labour, 50 per cent. for cotton and 30 per cent. for everything else ?

A. Out of this 90 you have to take off the dyeing charges, the excise duty and so on.

Q. It will come to about 25 per cent ?

A. Yes, about 25 per cent.

Q. There is just one point worthwhile clearing up or rather emphasising before we go any further, and, that is, is there any other manufactured product in the world in which the cost of the raw material forms such a large proportion of the total cost of manufacture as it does in the cotton textile industry? There are very few I take it, for instance, jute.

A. If you are spinning yarn only, the cost will go up to 75 per cent.

Q. Taking the cost of the finished article, there cannot be many other products in which the raw material forms such a large proportion of the cost of production. It is rather an important point when we come later to the consideration of the cost of raw material. Is that so ?

A. I cannot tell you. I do not know anything about other industries.

Q. Now we come to the question of labour conditions in competing countries. I gather from your statement that Japan is the only country against which you have any complaint in this respect ?

A. In regard to the conditions of labour, Japan is the chief offender but other things, such as the low exchange in other countries and other things may affect us.

Q. On the question of actual labour conditions, there are no other countries about which you complain ?
A. China is much worse than Japan.

Q. Competing countries ?
A. China is competing.

Q. You have not mentioned it as a country in which you regard competition in any way serious. I take it you do not consider that double shift working purely as such is unfair competition ?
A. With the employment of women labour at night.

Q. Do you consider that it is going to be a temporary or a permanent handicap ?
A. Well, Sir, as we have stated in our statement, Japan is trying to tell everybody that they are reforming and are going to put things right at a very early date. The new law which they have passed is entirely different from what they lead the public to imagine. We have given you a copy of the act as it is and you see the female labour is kept employed till 11 in the night and begins at 5 in the morning. So they can work two shifts with the employment of women labour even then, and the Minister in charge can abrogate that arrangement at his pleasure.

Q. The Japanese Cotton Spinners Association have definitely stated in their written representation that all the Japanese mills coming under the Association work only ten hours a day ?
A. That is incorrect, Sir. We have given you the statement showing how many hours they work.

Q. Weaving mills ?
A. They work 14½ to 15 hours on an average. We have given instances in the appendix. Certain mills work even 20 hours.
A. *Mr. Maloney.*—The Government of India made an investigation recently and Sir Charles Innes made a statement during an interview with the Bombay Millowners' Association to the effect that in all the mills which they have investigated in Japan, the working hours in the weaving establishment were 14½ hours on average.

Q. They have not confined themselves to the spinning mills. They say that most of the cotton mills in the country have adopted ten hours as the maximum day s work for their employees with a complete stoppage of work in the night ?
A. That has only very lately come into force.
President.—Is that a single shift ?
A. *Mr. Geddis.*—We cannot find out, Sir. We do not know whether certain mills are working double shift.
A. *Mr. Maloney.*—Or whether those mills are working 14½ hours on a single shift.

Q. Does the present Japanese Factory Act impose any limitation on hours ?
A. *Mr. Maloney.*—Not for males.
A. *Mr. Geddis.*—Here is Sir Charles Innes's own admission. On page 21 of the statement you will find it. He says there " Similarly certain facts had come to our knowledge about the weaving mills. The ratio of women to men was 5 to 1.....

Q. My point was that double shift working is not common in the weaving mills.
A. *Mr. Geddis.*—Sir Charles further says in the same statement " that particulars of 19 big mills showed that they worked 26 days per month or an average of 14 hours per day ".

Q. It is difficult to believe they can do that in one shift ?
A. *Sir N. N. Wadia.*—It used to be in Bombay some 30 years ago.

Q. I cannot help thinking that the efficiency of your 14 hours could have been little more than the efficiency at present. You are not really in a position to give any definite information on the question of direct or indirect State aid to the industry in any exporting country ?
A. We have given in the extracts the information that we have at our disposal.

Q. It really does not amount to anything definite. It is not possible to work out exactly what it means, how far it helps them as compared with you ?
A. That is one of our complaints. The Board of Trade made an investigation into this very subject, and a report was printed, but when we sent someone to examine it at the Overseas Department we were told that we could not have a copy of it as it was confidential. Government have got a copy and I think you might get it from them.

Q. If it is confidential, it would not be possible for us to use it ?

A. *Mr. Geddis.*—But you would get fuller information than we can get.

A. *Sir N. N. Wadia.*—About subsidies, I suppose you have seen this (pointing to an extract) to-day in the *Times*.

Q. Yes, I have seen it ; it is only a repetition of what appeared some time ago.

A. *Sir N. N. Wadia.*—If we had Trade Commissioners, live men sent round by the British Government or the Indian Government to various parts of Japan and all over the world then we could get more facts, Sir.

Q. We now come to the question of your general impression as to what the Indian consumer really prefers. The impression we have rather gathered from going round the markets has been that there is some preference for cloth of better quality on the part of those who can afford to buy cloth. They prefer to pay rather more for a better article recognising that they are getting better value for their money. The Japanese goods that we have seen in the bazaar are certainly rather attractive in appearance. They are very clearly stamped and one finds that little adventitious aids like that go a long way with the Indian consumer. One point we discovered when we were going round one mill was that middlemen like goods packed in Japanese style. They prefer to pay two or three rupees a bale more for packing in the Japanese style than in the Indian style.

A. I can only say this, that we millowners are alive to all these possibilities and wherever a demand for special packing is made we are prepared to give it.

Q. Could you say that all the millowners are alive to this ?

A. I can only speak for myself.

Q. It would have been a little more helpful to us if we had had the representatives of the worst mills in Bombay before us instead of the best.

Now, you say that you do not think that there has been any marked change in the quality of piecegoods imported into India in recent years from Japan. When I was Controller of Cloth, there were frequent complaints that Japanese goods were not up to sample. There do not seem to be such complaints now ?

A. I do not know, Sir. I have seen some Japanese cloths lately where they were selling as 44 reed and 40 pick stuff, the reed and pick of which were not up to sample. I have lately seen a sample of this.

Q. You mean that the reed and pick of the goods were lower than those of the sample ?

A. What they are supplying now is much lower than those they were supplying last year but they are sold. The same stamp and the same number.

Raja Hari Kishan Kaul.—Some time ago people used to hesitate about taking Japanese cloth, but now they like to take it.

President.—You say in your answer to question 34 that "judging from the quantity of low and medium count piecegoods placed in the Indian markets at the present time it would appear that there is no general growing preference on the part of the Indian consumer for finer qualities of piece-goods and yarn". If this is so why is Ahmedabad doing comparatively well in finer counts ? I merely put this to you to get your view. Might it not be that the saturation point for the coarse and medium piecegoods has been reached at present prices and that the consumer has got any money to spend on cloth he wants to get something better ?

A. Do you not think, Sir, that in that case they appeal to a different class of consumer ?

Q. That is my point.

A. That the Ahmedabad mills are catering for a different class of consumer than they used to do, to a richer class, to compete with Lancashire goods ?

Q. That is more or less the idea. I want to know why you cannot do the same thing ?

A. The trouble has been that until this year we could not get the cotton. This year we have been lucky that the demand from the Continent has been very poor for Uganda and we are now having some Uganda cotton brought here.

Q. The point is that India is not really in a position to weave finer counts at the moment, that she has not got the natural advantages to weave finer counts at the moment owing to lack of long staple cotton ?

A. That is right.

Raja Hari Kishan Kaul.—While we are on this point I might point out this. You know that there is a reduction in imports of cloth. The quantity has contracted although the value has risen. I want to ask you whether you think that the reduction is mainly in finer cloth

A. I didn't quite understand you, Sir.

Q. The quantity of imported cloth has contracted while the value has increased. The quantity has gone down ?
A. Yes, to a certain extent.

Q. Do you think it is the finer cloth that is decreasing ?
A. It is very difficult to say whether the finer cloth has come down in quantity.

Q. It has been suggested that there has been a contraction in finer cloth because of the high prices, but that the import of finer cloth is being revived just now. Do you think that is true to any extent ?
A. Very difficult to say, Sir. Price is a factor. People will go in for a cheaper cloth whenever they can, if approximately near their requirements as to quality.

Q. The standard of price of finer cloth is comparatively higher than the standard of price of coarser cloth. Is that so ? Those making finer cloth are making profits ?
A. Not necessarily. I do not understand, Sir.

Q. If you were producing long cloth, grey long cloth for instance and you made one anna a pound out of that, you could make more out of finer cloth ?

Mr. Majmudar.—As the production in fine counts is lower does the cost of production of the fine counts go higher and do you expect a higher profit per pound ?
A. I do not understand the point at all.

Q. Supposing in the coarse quality of cloth the production is 15 pounds, in the finer quality the production goes down to 5 or 6. In order to get a certain profit per loom per day you have to make a higher profit per pound in the case of fine cloth than in the case of the coarse ?

Raja Hari Kishan Kaul.—You have to spend so much per loom whether working on finer counts or on coarse. Comparatively you actually get more profit on a loom working on finer counts than on a loom working on the coarser counts. Is it so ?
A. Just now I do not think so. I think we are making no profit in any case.

Q. I mean comparatively ?
A. I do not understand what you mean by "comparatively".

Q. Are you losing equally on both sides or losing more on one side than on the other ?
A. It depends on the quality of cloth, the reed and pick and a thousand and one other considerations.

Q. Generally speaking, there is not much difference.
A. There is not much difference.
A. *Mr. Saklatvala.*—I would like slightly to dispute that point. I always thought it is as a rule better to produce coarser cloths than finer ones. The production of finer cloth will cost you much more. Even though relatively you think you are doing better the production of the finer cloth will cost you much more. The point I am trying to make is that as a rule India has done far better by producing coarser than fine cloth.

Q. How do individual wages compare in Japan and in India ?
A. *Sir N. N. Wadia.*—That we cannot get at. We have got the Labour Office publishing a list of wages in each department of the mill. That we have got, but we cannot find out what the Japanese are paying in their various departments. The only thing that we have is the average wage. When we referred to that last year they have been so clever as to cut it out from their statement since the last two or three months.

Q. That is larger than the average for India ?
A. I do not think so. It works out at about the same. They are very clever, Sir, in this respect.

Q. On the point of the effect of exchange, what will be the effect of yen going back to par ?
A. It cannot go there as long as you keep the 1*s.* 6*d.* exchange. It will never go above 134 as long as you keep the exchange at 1*s.* 6*d.*

Q. If it goes to 134 ?
A. It will reduce the severe competition but it won't help us very materially.

Q. It makes some difference, does it not ?
A. Yes.

Q. In answer to question 19 you say that the import of yarn under 40s into India works out at about 15 per cent. of the yarn available for sale in India. Is that from Japan or from all countries ?
A. 15 per cent. of the yarn available for sale

Q. Is it imports from all countries ?
A. Yes, all yarn.
Q. I should like to know how this 15 per cent. has been worked out.
A. *Mr. Maloney.*—I will give you the details.

Q. Thank you
A. *Sir N. N. Wadia.*—I was just going to remind you, Sir, of this point. It is very funny you are talking about the wages of workers. You object to our taking 153 exchange. When they speak of labour the Japanese compare the wages at 155 exchange. They are very clever in the way they put it.

Raja Hari Kishan Kaul.—As regards the imports from Japan forcing down prices it has been suggested that they do so because they have got large stocks there and they are always prepared to import unlimited quantities of any particular sorts which gain favour. Is this correct to any extent ?
A. I do not see your point, Sir.

Q. The percentage of imports from Japan is not very much and yet you say that they affect the price, that they lower the price. There are two ways of doing it. One is that they form the marginal quantity. By selling this cheap they can reduce the price in the country. It has been suggested also that there is another way in which they reduce the prices, and that is that when they once find that any imports get into favour they are prepared to import unlimited quantities of the same sort, and therefore they reduce the price. Is that correct to any extent ?
A. But they cannot go on importing it at a nominal price which leaves no profit.

President.—According to your view, Sir Nusserwanji, it could be done. You can sell at a loss for fifteen years?
A. That is true. Let us see how long they can do it.

Q. It pays them to undersell you, by one anna per pound?
A. They might do that to get into the market and then to keep us out of the market. Suppose I wanted to go nto a foreign market I might have to sell goods at a loss myself for a year until I get in.

Mr. Subba Rao.—I understand that the Association thinks that the competition is keenest from Japan and that it is not so keen from the Continental countries. There is no competition from Great Britain? Is that your view ?
A. You say you understand.

Q. Am I wrong? That is what I gathered from the case sent by the Millowners' Association.
A. We say that we complain about the unfair competition from Japan.

Q. I am only speaking of the "keenest competition" ?
A. Yes, unfair, keenest.

Q. Which country sends goods that compete most ?
A. Japan.
Q. Great Britain does not compete so much ?
A. Not so much.
Q. Supposing she took to spinning of coarser yarn and the weaving of coarser cloth you expect there would be more competition then ?
A. With their cost of labour and other things they can't.

Q. Suppose India took to finer counts would there be keener competition ? Would English mes compete with your production then ?
A. We should be competing with them instead of their competing with us.

Q. Any way there will be competition between local production and the English imports? At present there is not such competition ?
A. I won't say that. There is a certain amount of competition in certain varieties. You cannot draw a general conclusion like that.

Q. In what line would you say there is competition just now between imports from Great Britain and Indian production ?
A. There are very many varieties of bleached cloths coming in of 30s and 32s on the border line which we can compete with.

Q. I will come to exchange later on, but I want to ask you this now. Now that the yen has nearly got to parity with gold, I suppose you would agree that 1s. 6*d*. rate for the rupee would affect trade not merely with Japan but with any country in the world. Any argument you have against the high exchange rate would apply not merely to Japan but also to the continental countries and to Great Britain herself.
A. Yes. Because it gives them so much advantage.

Q. On this point of exchange your complaint would be not against Japanese exchange only but against any exchange in the world including that of Great Britain ?
A. Yes.

Q. As regards competition between Japan and India, there is competition between Indian mill products and Japanese products in the export trade?
A. The competition is in the home market.

Q. I shall come to that. I will take exports first. We shall now deal with China. In the earlier years the trade had been fluctuating very considerably. I want to know definitely what made Chinese trade so difficult a proposition to the Indian mills. From the time of the closing of the mints to silver you had no Japanese competition until 1900 or later. So, what was the difficulty?
A. Because, China was a silver country.

Q. I find for 1877 to 1883 the average annual figures of export from India to China were 60 thousand bales of yarn. From 1884 to 1892, that is before the currency change, they were 2½ lakhs of bales. Then after the currency change, 1893 to 1903 about 11 years, the average was 4·34 lakhs of bales. Therefore in spite of the currency change the trade very nearly doubled. And afterwards when we got to the gold standard, during 1904-13 the export went up to 4·60 lakhs of bales. Therefore for about 20 years after the currency change the trade was nearly double of the pre-currency change period. I want to know if no profits were made all these years. The volume of trade did not decrease but even increased largely. There were fluctuations of course but the point is, do you want us to believe that you carried on this trade for twenty years at a loss ?
A. The results speak for themselves.

Q. I want to know what they were.
A. If you will refer to paragraph 22 of the statement we have answered that point.

Q. Yes, you say there that the 'trade with China became more or less speculative in nature and brought in very inadequate returns'. Therefore the trade was not profitable enough. Still you were sending double the earlier quantity ?
A. We must get rid of it when we produce it.

Q. Even when the return was distinctly inadequate'?
A. Yes. There was very little profit.

Q. Is it not difficult to understand that you doubled your exports and yet made no adequate profit for twenty years continuously ?
You say that the trade was not profitable. Was it because of the lack of high prices in China ?
A. I do not follow.

Q. The exchange went against China because the rupee was given a high value. The Chinese currency went down in terms of the rupee. The mint being closed to silver, the result was that silver which was the basic currency of China depreciated in terms of the rupee. Therefore if the trade was unprofitable, it must have been because you could not, I take it, get the same price in China as before. The altered exchange must have gone along with a corresponding rise in price in China or corresponding fall in the rupee costs in India. Is it your point that in China prices did not rise for your exports in proportion to the fall in the value of silver ? You were getting so many taels or dollars in China before the closing the mints. Now that the rupee went up in value you had to get more silver in China to give you the corresponding number of rupees in India. Unless Chinese prices went up you would lose on exchange. I want to know whether you have got any figures to show whether Chinese prices either did or did not rise after these changes.
A. I am afraid for twenty or twenty-five years ago we have not got the figures to go back on as far as prices are concerned. I am afraid we have not got the figures.

Q. I want to quote from a speech made by the then Chairman of your Association in 1896. He said :—"I submit a good deal has recently been said about the closing of the mints and some critics of the measure are still harping on the supposed injury caused to the export trade by the stoppage of free comage of silver. I submit there could possibly not be a better answer to this suggestion than the fact that after the mill industry has had to contend with this exchange question, namely with the relative value of silver and rupee and rupee and sterling, yet our trade with China, a purely silver using country, has steadily increased showing that exchange has much less to do with our exports than has the demand for our goods. John Chinaman today with exchange at 164 is as ready to pay his 100 dollars for a bale of yarn as he was when exchange

stood at 220 and he paid 75 dollars". That is to say, with a rise in Chinese exchange the price in China went up.

A. I was a chokra in those days.

Q. The point I want to suggest is that it could not have been run at a loss. The millowners themselves must have felt at the time that the trade was paying, since it is hard to believe that for twenty years they could go on with the trade and not make both ends meet.

There is next a statement made by you with regard to the other export markets. In your answer to question 18 the suggestion has been made that there has been a great setback in the exports of the staple product of Indian mills and this great setback is said to be very largely due to the rigour of Japanese competition. Now, you have given us figures for various countries. But does it mean that the Association thinks that there has been a decrease in the total amount of trade in grey goods, that your exports in grey goods have diminished in these years ? You have just given these two years and say that there has been a great setback in the export of the staple product of Indian mills, and that staple I suppose is grey goods ?

A. Yes.

Q. But as a matter of fact there has not been a setback, at any rate as the result of Japanese competition. I will take the figures from 1909-1910 onwards. You find first 52 millions, then 56, then 39 and next 44. If you take the years 1913-14 and 1924-25, it is 43·7 and 44 millions. You can hardly speak of a setback here. What decline there was, came before Japanese competition. Taking the two years you refer to, 1913-14 and 1924-25, they are just on a par—43·7 and 44 million yards.

A. I do not understand.

President.—The point is that the export of grey goods in 1913-14 was 43·7 million yards, and for 1924-25 also it was about the same. So, where is the setback ?

A. *Mr. Maloney.*—The chief exports of grey goods are to new markets. In almost all our old markets we have lost ground to Japan.

Mr. Subba Rao.—I suggest that in some of the markets there has been a change in the character of consumption. For example, with regard to the Straits Settlements, the export of grey cloth in 1909-1910 was 458,000 yards and in 1924-25 it was 401,000 yards, a small decrease. If you look at the export of coloured goods there is an increase from 10 million yards to 22 million yards. Does it not show that in some countries there has been a shifting of demand from grey to coloured goods ? Does it necessarily show that there has been a setback in your trade ? If consumers demand from you a different kind of article, will it be a setback ? Whereas the grey goods have remained stationary, you find export of coloured goods has increased, between 1913-14 and 1924-25, from 45 million yards to 136 million yards. Therefore, I suggest that there has been no setback in the first place to grey goods because the total exports are the same. You cannot expect of course to have the same hold in every country. No country in the world has the same hold always over other countries. Secondly, some of your markets seem to be changing in their demand from grey to coloured goods. Your statement seems to me to be rather sweeping in character. A change in the character of the demand you term a decline in export trade, whereas there has been a great increase.

A. *Sir N. N. Wadia.*—What is the point you want to make ? Because the total exports are the same, there is nothing to complain of ?

Q. No. I merely question the accuracy of your statement.

A. *Mr. Maloney.*—There has been a setback inasmuch as we are not holding the same percentage of the total trade of these countries that we held before the war.

Q. You have not given the percentage ?

A. No, but that can be done.

Q. For example, take Siam. You say the amount has gone down. But if you look at your own statement, your competitor, Japan, has done worse. The figures are given on page 35 of your representation. You attribute the diminution in the Siamese market to Japanese competition. Now, you find that Japan has lost between 1922 and 1924 practically all her market from Siam. From 12½ millions to 1½ millions. From 12½ million yen worth goods in 1922 it has come down to 1½ million yen worth goods. That is the point I am making.

A. I am certain there is some mistake and I would like to examine it again.

Q. One word about French Somaliland. If you take the figures for a number of years the trade has been very fitful. Sometimes it was 62 thousand yards and in one year 2

million yards, in some years nothing at all. So that it hardly gives an example of a country where your trade has had a setback by competition. The suggestion I want to make is that the trade has distinctly grown and possibly has changed in character from grey to coloured goods.

A. *Sir N. N. Wadia.*—I do not think so.

Q. I am merely giving you certain figures which seem to go counter to your views.

A. *Mr. Maloney.*—Have you any more examples besides Siam where the Japanese have lost ground ?

Q. I do not think I have got any just now.

A. I think this must be an error. I think this is an isolated case

Q. That must be from the Government returns ?

A. This is not a Government return, it is a Japanese return.

Q. Mauritius also shows a change in demand.

A. Have you any other examples where Japan has lost its position ?

Q. No, I merely took your figures.

A. Siam is the only one ?

Q. So far as I have figures.

A. *Sir N. N. Wadia.*—We will have the figures checked.

Q. Please, specially for grey goods. Now we come to the competition in India. Some statements have been made by one or two witnesses in their written statements, and I want to know whether they are correct. One gentleman says that dhoties from Japan have practically disappeared from the Indian market. He says the quantity is contemptible ?

A. I do not know, but my impression is that they are increasing.

Mr. Majmudar.—Recently they were coming to Calcutta

A. Yes, but I have not seen them in the Bombay market.

Mr. Subba Rao.—Is it true that competition in sheeting and drill business is decreasing ?

A. No, I do not think so.

Q. There is one other point which was asked in the questionnaire but has not been answered, I think, at least fully—whether you know if Japan is giving Indian buyers any special trade facilities. The written answer is in the negative, that you do not know. But can any of you say anything about it now ? Does the Japanese importer into India get anything like an export credit ? For example, before the war Germany had established a grip on several countries by long export credit and then she supplied certain lines of articles and followed it with others. Does Japan work similarly ?

A. I have heard of only one instance where they gave 36 days' credit. That is the only instance I have heard.

Q. What is the usual time ?

A. On delivery.

Q. Then, with regard to the question of exchange. I have only one or two questions to ask. In the first place I suppose the Association is aware that so far as England is concerned no protective duty is given unless exchange has depreciated 33⅓ per cent. or more.

A. What was it last year, Sir ? It has been as low as 107.

Q. I was saying that in England the minimum prescribed is 33⅓ per cent.

A. In South Africa I think the percentage is only 15. And in New Zealand still less.

A. *Mr. Maloney.*—Nothing.

Q. I want to ascertain from you how you think this fall in exchange benefits the Japanese seller. How does it affect the Japanese seller of goods to India to make a profit which he would not make but for the fall in exchange ?

A. *Sir N. N. Wadia.*—You see the manufacturing costs for yarn are steady. But cotton forms 50 per cent. of the total cost. So whatever he pays out in exchange on the 50 per cent. of the cotton he gets out of exchange at full 100 per cent.

Q. That is on the assumption there will be no rise in price in Japan to correspond with the fall in exchange.

A. Has there been any rise ?

Q. Most certainly, there has been.

A. Those theories we have heard a great deal of.

Q. I am merely speaking of figures given by official bodies. They may be wrong. But if it proves that there is in Japan or any other country a rise corresponding to the depression in exchange, to that extent there is no bounty on exchange.

A. Will you give us the figures of the Japanese cost of manufacture from 1921 to 1925 ?

Q. I was speaking of a rise in prices generally just now.

A. That is the manufacturing costs. That is what we are concerned with. If you can give the manufacturing costs we can prove it to you, but without facts and figures we cannot say anything.

Q. We are here to get facts. If in Japan prices have generally advanced the presumption is that this rise affects in varying degree the price of all commodities.

A. Assuming things and drawing deductions is a very wrong principle. I would rather go and draw my deductions from facts. I would like to see the actual manufacturing costs in Japan.

Q. We cannot get them ourselves. But is it your belief that these costs have not risen at all ?

A. From the information we have got we are not sure whether we can make a statement that they have risen.

Q. If they have risen there is no bounty ?

A. It depends on what proportion.

Q. To the extent it has risen there is no bounty ?

A. If you lead us on economic theories and practices it is rather difficult. I want to know the facts myself.

Q. Could you give us any information about the Japanese steadiness in prices or rise of prices ?

A. There is no information available.

Q. Unless we get them we cannot say whether this fall in exchange is a bounty or not

A. We as practical business men feel the competition when exchange is down.

Q. You cannot link up the competition with the fall in exchange unless you know the facts as to prices and those you do not know, you admit.

A. We are faced with the fact.

Q. But that might be due to other causes which you have mentioned—the double shifts for instance. How can you link this increased competition with the fall in exchange unless as you said just now you know the costs remain the same.

A. Perhaps you will refer to page 22, paragraph 76. You will see there what the *Financial Times* says.

Q. Is it a leader, or a correspondent's article? It may be somebody's opinion. It has got to be tested. We want to know what facts he had at his disposal. If it is a falling exchange there will be a bounty for the time. We want to know whether there is a permanent bounty. The low exchange will mean a bounty provided prices in that country have not risen or prices in India have not fallen correspondingly.

A. I think I would refer you to the Currency Commission Report. That question is thrashed out there and in Sir Purushothamdas's minute. They both draw different conclusions and when experts differ how can you ask us. They have argued on the same points as regards India and these are all economic factors and when exp rts themselves do not agree how do you expect a manufacturing body like our Association to express an opinion.

President.—A good many people have been expressing opinions.

Mr. Subba Rao.—I am not asking for an opinion at all, but am asking you for information as regards the level of prices and wages.

A. We have not got the information.

A. *Mr. Maloney.*—As regards wages the rise in figures from 1914 is owing to the change in the method of calculation. Since 1918 or 1919 the figures of wages quoted for the textile industry in Japan includes every item which can possibly be put down as wages as is explained in the united states Tariff Commission's report. If the figures for the last few years are examined during which there was a very heavy drop in the Japanese Exchange it will be found that wages in textile mills in Japan did not increase.

Q. From 1921 to 1925 there has been a rise from 1·04 yen to 1·13 yen in the wages of the spinner.

A. *Mr. Maloney.*—There may have been a 3 or 4 per cent. rise in isolated cases.

Q. But it will make a good deal in the aggregate.

A. *Sir N. N. Wadia.*—The average daily wage of labour in the Japanese textile industry was in

1920	.. ..	0·98 yen
1921	.. ..	0·93 "
1922	.. ..	1·02 "
1923	.. ..	0·95 "
1924	.. ..	0·95 "
1925	.. ..	0·95 "

Mr. Maloney.—From 1922 to 1925 there has been a fall in wages from 1·02 to ·95.

Q. Wages have generally risen in Japan from 95 to 103·6. Unless we get detailed data about the Japanese level of wages we cannot say that the fall in exchange benefits them.

A. *Sir N. N. Wadia.*—Copies of the official figures will be sent to you.

Q. We have got to find it out ourselves.

Mr. Majmudar.—In reply to Question 19 you say that counts up to 40s can readily be made in Indian mills. Does it mean also 42s? If you look to page 47 of the original statement, you find that Japan is importing about 43,000 bales and 8,000 bales of 42s and 43s respectively. Cannot Indian mills manufacture 42s and 43s counts?

A. These are the Japanese figures.

Q. You restrict yourselves up to counts of 40s. Does it mean that 42s and 43s cannot be made in India?

A. We can make 44s.

Q. My point is whether when you say "counts up to 40s" you mean right up to 43s.

A. When you make 40s you can also make 43s to 44s.

President.—I thought that India could not make counts above 40s. That is what I understood from your answers this morning.

A. From the present quality of cotton, we cannot; I qualify my statement to that extent. But India *can* make them. There is nothing to prevent them being made from imported cotton.

A. *Mr. Saklatwala.*—Some of the Indian mills make up to 40s.

Mr. Majmudar.—Referring to page 62 of your original statement, we find that the number of spindles in 1893 was three times those in 1876 and similarly also the number of looms were three times those in 1876. I am comparing the figures of 1893 with those of 1876. The number of looms increased from 9,000 to 28,000. The expansion of the industry both in spinning and weaving was the same? If you look at the figures for 1893 and 1906 you find that the spindles have increased from 35 lakhs to 52 lakhs, i.e., by about 48 per cent. whereas in the case of looms the increase is from 28,000 to 53,000, which means an increase of 87 per cent. Now was this due to the loss of the China market?

A. *Sir N. N. Wadia.*—Due to the unprofitable nature of the business.

Q. Then further on if you come from 1906 to 1914 you find that from 52 lakhs, the number of spindles has risen to 67 lakhs, that is an increase of about 29 per cent. and in the case of looms, the increase is 100 per cent. Does it mean that all through spinning was not as remunerative as the weaving?

A. I won't say that. I would say that spinning was so unremunerative that we were compelled to put in looms.

Q. Looking at the Table on page 83, you find that the production in Japan in coarse counts has not risen since 1914 to the same extent as the production in medium counts. Is it because it is easier to work medium counts with double shift or is it because of the trade conditions?

A. I could not tell you what the conditions in Japan were.

Q. Now the tendency there has been to go on to medium counts?

A. Yes; quite right.

Q. So also with regard to fine counts. Fine counts have not increased very much from 1916 to 1925. But if you take 1913-14 figures, they are almost double, whereas in the matter of medium counts they have almost trebled from 1914 to 1924. From 149,000 they have increased to 499,000, whereas in respect of coarse yarn, the production was almost steady, being 1,350,850 bales in 1914 and 1,320,986 in 1924.

A. So what is the point?

Q. That Japan is going more on to medium counts and not to coarse counts.
A. Yes; quite true.

Q. And the export was more of medium counts than of coarse counts?
A. Yes.

SECTION III

Internal Competition

President.—How far do you consider that the increasing competition from up-country mills has been a factor in bringing about the present depression in Bombay? The figures that we worked out show roughly that the up-country mills in most respects show a growth by about 7 per cent., that is, looms and spindles and the cotton consumed. After all, the Japanese imports are only 8 per cent. and if you are getting 7 per cent. more production from the up-country mills, is not their competition almost as damaging as that of the Japanese?

A. I do not think so. There might be some mills in the Native States.

Q. There are not many.

A. There are 7 mills in Indore alone and they were working 14 hours till a week or so ago though they have very recently come down to ten. In Baroda there might be some 10 mills.

Q. In answer to Q. 36 you say that Bombay has a slight advantage in regard to climate and slightly more efficient labour than most up-country mills. This would hardly seem to hold good as regards Ahmedabad owing to their low percentage of absenteeism. Your remarks apply to up-country mills?

A. Yes.

Q. There is one advantage with regard to Ahmedabad which I do not think you have referred to in answer to Q. 37 and that is overhead charges. As far as we can gather, there are no expensive offices to keep up there. The mill office is on the premises. What are your views in regard to that?

A. We can't say anything.

Q. As regards the other advantages, we cannot really work them out until we get the cost of production sheets. There is one point about the proximity to the coal fields. Can you give us a general idea as to the relative cost of coal and other power and how they compare in Ahmedabad, Bombay and Nagpur?

A. *Mr. Saklatwala.*—In Nagpur we use a different class of coal altogether. It is the C. P. coal we use. The coal is practically at our doors at cheap rates. Ahmedabad has no special advantage in point of coal. If you want, I can submit a statement regarding this.

A. *Mr. Maloney.*—I can give some evidence as regards the cost of coal.

Q. How does the cost of coal compare with the cost of electric power in Bombay?

A, *Mr. Saklatwala.*—Practically all the Bombay mills are more or less on the electric power or some of them have changed to oil.

Q. How does the cost of coal in Ahmedabad compare with that of electric power in Bombay? I want to know whether they are at a disadvantage in using coal.

A. It is rather a disputed point. Some of us here claim that the present cost of electric power is too high and that possibly with the latest equipment they should produce it at a cheaper rate, which we always question. I do not think that we in Bombay came to any definite conclusions on that point.

Q. The position really is that as regards Bombay, at any rate, you have not worked it out and you are not in a position to say which is cheaper, coal or power?

A. It varies at different periods. It mostly depends on the cost of coal. During the war time, when the cost of coal was abnormally high, of course, hydro-electric power had a distinct advantage. But when the cost of coal came down whether we have the same advantage at present or not is a questionable point.

Q. As far as your experience goes, does the power here cost your mills more or less than the coal in Ahmedabad?

A. We are distinctly on the better side in Bombay.

Q. Only as regards Ahmedabad and not as regards Nagpur?

A. No; not as regards Nagpur.

Q. Now we come to a point on which I am afraid you won't be able to throw much light, *i.e.*, the competition between the hand loom industry and the mill industry. Really the only point which concerns us is whether you consider that the handloom industry gained on the mill industry in recent years?

A. *Sir N. N. Wadia.*—I do not think so. We can go on side by side.

Q. As far as one can gather from the amount of yarn placed on the market, which obviously must be consumed by the handloom industry, there is very little difference.

A. There are no proper statistics about handloom weaving in India and we have to go back to the article published in the Textile Journal. We gave the figures.

Q. I take it that you will admit that one of the advantages Bombay has got is that you can keep a smaller stock of machinery and spare parts here.

A. No; we must keep just as much as Ahmedabad or any other place keeps.

Q. The agents are here; would not they supply you with spare parts whenever you want them?

A. We have just started keeping a stock of the spare parts on a small scale, I mean my firm has. But no other agents keep them.

Q. Are your insurance charges lower here than they are up-country?

A. Yes.

Q. To what extent do you keep lower stocks of cotton here than up-country? I understand up-country they buy cotton for 12 months.

A. *Mr. Saklatwala.*—The mills can go on even without stocks if they want to depend on the Bombay market, buying from hand to mouth, from day to day.

Q. But the question is how many do so.

A. It depends on the policy of the company.

A. *Sir N. N. Wadia.*—There are many mills in Bombay running from hand to mouth.

Q. It may or may not pay. It should mean less interest charges.

A. It is not that. Mills that want to turn out better quality of goods must take the first pick cotton, *i.e.*, in February or May. Otherwise the second and third pickings of cotton won't serve their purpose and the better mills have to take the first rate cotton and store it.

Q. Therefore the Bombay mills have no advantage over up-country mills in this matter of purchasing and storing cotton?

A. No.

A. *Mr. C. N. Wadia.*—The up-country mills are generally built in places where there is cotton as against the disadvantage of laying it in.

Q. But the up-country mills have to lay in their cotton for 12 months.

A. Yes; the up-country mills have to lay in cotton for 12 months and they get that cotton much cheaper than the Bombay mills, because the transport charges to Bombay are saved to them.

Q. There is one other point—another small point—and that is, you have not, I think, got the cost of big water tanks which some of the up-country mills have?

A. *Sir N. N. Wadia.*—We have got some water tanks here.

Mr. Majmudar.—Certain up-country mills do not get water for 10 or 15 days and they have to store water.

A. *Mr. Saklatwala.*—I think what you mean is that we can always supplement our supply from the town water, whereas in the mofussil, they have not got that facility.

President.—We found that in Ahmedabad they used water for bleaching and the result was that the bleaching cost was 1½ annas less than yours.

A. That is hand bleaching. We here have got to go through an elaborate process of machine bleaching which gives better results but with the hand bleaching they can just get on for their purpose. It is good enough for their purpose.

Raja Harikishan Kaul.—Coal is cheaper in Bombay than at Ahmedabad and other places, leaving out Nagpur?

President.—How many mills are there in Bombay at present using coal? Roughly?

A. *Mr. Maloney.*—I cannot remember. I must look it up.

Q. It is a very small proportion?

A. It is a very small proportion.

Q. It was seventeen in 1924-25, I think?

A. Roughly still 17.

A. *Sir N. N. Wadia.*—In sizing mills. Not for power, but for sizing. I myself use oil. I do not burn coal.

Raja Hari Kishan Kaul.—Is it a fact that prices are put down by good mills selling at a lower rate than the bad mills can afford to sell at?

A. *Sir N. N. Wadia.*—What do you mean by "put down"?

Q. They sell cloth at a cheaper rate ?

President.—I think the point is, are prices determined by the prices of the good mills rather than by the prices of the bad ones ?

A. It depends on the quality of cloth they produce. Good quality needs higher price. They may use better cotton and produce a better quality of cloth.

Raja Hari Kishan Kaul.—A good mill should be able to sell cloth cheaper and yet make a moderate profit as compared with a badly managed mill which cannot work so economically ?

A. Yes, it depends. There are two or three factors in the price they ultimately charge. First the kind of cotton they use.

Q. It has been suggested by one of the witnesses that part of the keen competition is due to the fact that the better mills sell cloth at rates which are not remunerative to other mills and the other mills have to force down their prices in order to keep up the competition ?

A. My experience is the other way about, Sir. I find the worst mills cutting down the prices so low that the good mills have to come down too.

Q. That is my point. The worst mills sometimes have to sell at forced prices because they are in need of money and therefore the better mills have to sell their cloth cheaper also ?

A. There are instances where this has occurred.

Q. These are two contradictory factors.

A. You find the worst mills generally cutting down the price to get money, to convert their stock into money and they bring the market down and we have to suffer through it and that is my experience. I can only speak for myself.

A. *Mr. Saklatwala.*—Better mills have better holding power. They are in less financial difficulties than the weaker mills. They have to sell whether they like it or not. They must convert their goods into money and get on.

President.—Both factors operate in your opinion, Mr. Saklatwala ?

A. The weaker concerns force down prices.

Q. The question arises how far the depression is due to that and how far to Japanese competition ?

A. They have got no choice. They must sell in order to keep going. This is a necessary consequence of the depression and not the cause of depression.

Q. It looks to me very difficult to disentangle the various factors.

A. In cases of severe competition that competition has to be met and the other mills which have not the holding powers meet it by cutting down prices.

Raja Hari Kishan Kaul.—Then as regards the answer to Question 36, the advantages in regard to climate and so on, I understand that Bombay can get better production from a lower mixing on account of the climate ?

A. *Sir N. N. Wadia.*—There is little in it.

Mr. Mujmudar.—They have admitted it in reply to Question 36.

A. There is a better climate.

Raja Hari Kishan Kaul.—You have not said this as regards mixing. I want to know whether you can get a better production from lower mixing.

A. That is a better test.

Q. Then on stores you secure a little against up-country mills, and I suppose in railway freights also you have got some advantage. Your railway freight to the market towns is lower than from other out stations.

A. It varies.

A. *Mr. Maloney.*—I am sorry we have not prepared a table showing the actual rates but I think on the whole the actual rate from Bombay to those markets is not favourable; it is unfavourable. Take Amritsar, Delhi and Cawnpore, for example in those markets we suffer in comparison with Ahmedabad.

Q. Delhi and Cawnpore do not count. They have very few mills.

A. *Mr. Maloney.*—But they are very important consuming centres.

Q. Then you have got better banking facilities, I suppose in Bombay ?

A. *Sir N. N. Wadia.*—There is nothing in it.

President.—You cannot use the existence of more banks here to extract any concessions ?

A. It depends on the mill and the mill agent.

Raja Hari Kishan Kaul.—On the financial position ?

A. Yes.

Mr. Subba Rao.—Do you say that competition is not very keen between mills in Bombay and mills up-country ?

A. There is keen competition, for instance, with the Indore mills. There is keen competition with some of the Ahmedabad mills in some markets.

Q. I am speaking of the proportion, the relative size of the working power of mills in Bombay and mills elsewhere. The latest figures show that they have got about 16 lakhs more spindles than in Bombay and more looms and they employ more people. Is it not likely to tell against you, and is not your market getting narrower by local competition ?

A. I would not say that.

Q. Unless consumption increases *pari passu*. They have overtaken you in spindles. in the amount of cotton they consume and in the number of looms. They consume about 11 lakhs bales more than you do. I am just taking your table for 1925 for example : If you compare the figure for Bombay and all India you will find that of 85 lakhs spindles, 34·56 are in Bombay and 50·44 are in the rest of India. Therefore their spinning capacity is about 1/3 more than yours. And the looms are 10,000 more than yours. This change in the relative positions has come about very recently, in the past few years.

A. Yes, the post-war development has been wide.

Q. So does it not look as though competition with you is going to be as keen from within the country as from without ?

A. *Mr. Saklatwala.*—May I reply to that ? With the additional looms our counts are getting finer in Bombay as compared to spindles up country which are producing coarse yarn for sale. It does not necessarily mean that we are being driven out. It means that we are going on to finer counts and producing more stuff for our mills.

Q. You are sharing the field ?

A. My point is that with the additional looms in Bombay we have got to spin our own yarn for our own looms and to this extent our counts of yarn are finer. So the production per spindle would be less though the producing capacity remains the same whereas in the up-country mills if they are making more of coarser counts for sale to handlooms, etc., they may show a larger production per spindle. But that does not mean that we are driven out.

Q. I am not speaking of percentage of production, but of the capacity for production, of the number of spindles and looms. The up-country mills have far more spindles and looms ?

President.—Not far more.

A. Bombay has got more looms I think.

Q. Bombay has 40 per cent. of the total spindles and 46·8 per cent. of the looms.

A. *Sir N. N. Wadia.*—Mr. Saklatwala's argument is borne out because up-country mills used 13 lakh bales of cotton against Bombay's 9 lakhs. Nine lakhs against 13 lakhs. They are on coarser counts. If you take the total consumption of cotton the figure for Bombay is 8,94,000.

Q. The position is that Bombay with 40·6 per cent. spindles of India uses 44·6 per cent. of the total amount of cotton consumed.

A. Bombay is consuming less. That is because we are on finer counts and it must also be remembered that there was a general strike in Bombay last year and one in 1924.

Mr. Subba Rao.—There is a division of the field then between you and the rest of India. You spin finer counts and they take to the coarser.

A. All Indore mills are on much coarser counts.

Mr. Majmudar.—Are the up-country mills able to sell all their output more easily because they come in direct touch with the merchants or because they are selling in the surrounding markets ?

A. *Mr. Saklatwala.*—When you talk of up-country mills do you talk of any particular centre ?

Q. No.

A. The Sholapur Mill has its own market, whereas the Nagpur mill will have to go further north to sell all their cloth.

Q. Also Sholapur sells throughout the whole of India.

A. You have Madras and the whole of Bangalore and Southern markets though you may be selling part of the production in the Northern markets, whereas a mill like the mill in Nagpur has not got a ready market just near its door. It has got to go both north and south.

Q. Sholapur also goes to Bombay, Delhi, etc.

A. *Sir N. N. Wadia.*—Take for instance the Indore mills. They have got a market of their own. In the Indore State itself they are protected by an 8 per cent. import duty. When goods go from India to the Indore State they have got to pay 8 per cent. while the Indore mills sell without paying any duty. There are various regulations like that.

Q. Take Ahmedabad. Ahmedabad is able to sell more because they are selling to smaller merchants whereas in the case of Bombay because they sell in big quantities they are not able to dispose of their stocks. Is there anything like that ?

A.—Bombay mills sell to small merchants as much as to big merchants.

Q. I am going to the next question. Do prices in Ahmedabad affect the prices in Bombay to a great extent ?

A. I do not think prices in Ahmedabad have any bearing on prices in Bombay.

Q. Then do prices in the up-country markets of goods of up-country mills affect Bombay mills prices ?

A. If they are on the same counts then the prices must tell. I do not think they are on the same counts.

A. *Mr. Saklatwala.*—For a number of years the quality of cloth produced by Ahmedabad was different from that of Bombay and there was no direct competition but Ahmedabad is coming more and more into line with what we are producing as well as producing finer counts and I think Ahmedabad competition is being felt by Bombay mills already.

President.—What was the difference in olden days ?

A. They were not giving cloth but China clay.

A. *Sir N. N. Wadia.*—They have been found out.

Q. Therefore they have cut into your market ?

A. *Mr. Saklatwala.*—They are competing. After all the markets are the same for India. Bombay may be a distributing centre but practically it has got to go into consumption into up-country and other markets.

Section IV

Mill Management

Q. The next section is "Mill Management." I rather gather from various indications that we shall receive much criticism on this point, but you gentlemen will have an opportunity of replying to it later on. In the meantime, I should like to ask you a few questions on the basis of certain information that we have got before us. You say that the agents of mills in Bombay are paid commission on profits on the basis of 10 to 12½ per cent. How long has that been in force ?

A. *Sir N. N. Wadia.*—I think for 25 years.

A. *Mr. Saklatwala.*—I should think for 30 or 50 years. Nagpur mills started in 1875 and ever since we have been on the profits basis.

Q. I am not referring to profit rates.

A. *Mr. Saklatwala.*—Commission rates to the agents have been in existence for the last 50 years.

Q. There have been 5 per cent. rates for some mills I think ?

A. 5 per cent. ? I do not know of any now.

Q. There were in the past ?

A. Yes.

Q. That was not at all general ? It was only in isolated cases ?

A. I know of one instance only.

Q. We are thinking of the same one, I think. Was that entirely an isolated case ? That is what I wanted to get at.

A. As far as my knowledge goes.

Q. One of the criticisms we have received is that the rate is too high.

A. *Sir N. N. Wadia.*—Is it so ?

Q. I can hardly expect you to agree, but would you care to amplify the point ?

A. We are not making much out of it now. Speaking for myself I have got four partners who all know what I am making. There is not much left. My brother will say the same.

A. *Mr. C. N. Wadia.*—We are making nothing out of it.

Q. There are a good many cases in which the agency agreement provides for a minimum commission irrespective of the profits. I am afraid you did not notice the mistake in one of the questions,—question 43— "where the commission is on production does the agency agreement usually provide for a minimum commission irrespective of profits ?" "Production" was a mistake for "profits."

A. *Sir N. N. Wadia.*—I can give you my own instance. My minimum commission for three mills is Rs. 48,000 a year and I have got four partners. Now you can work out what it means.

A. *Mr. Saklatwala.*—I should say it should be looked at from both points of view. There have been periods when profits commission did not pay the mills at all. It depends on the condition of the industry.

Very often we have to be satisfied with the minimum which barely covers our expenses.

Q. I am merely asking for your views in regard to this criticism.

A. *Sir N. N. Wadia.*—I am giving them. Rupees 48,000 for myself and four partners. You may imagine what it means for a year.

Q. One point in regard to this commission. I notice in your reply to Question 86 you consider that depreciation should be reckoned as a charge on production and not on profits and yet it is the practice of the managing agents to take their commission before deducting depreciation. The two views seem to me somewhat inconsistent ?

A. Gross profits.

Q. If you consider that depreciation should be a charge on production then it is not a profit at all ?

A. Depreciation should be reckoned a charge on production.

Q. I quite agree that it should be a charge on production. That is entirely my view, but if so, I cannot see how it could be a charge on profits.

A. Then the 10 per cent. would be nothing, Sir. The percentage will have to be much higher. What would happen in the long run is that the percentage would have to be much higher.

Q If depreciation were a charge on production, not on profits, might not the tendency be to avoid making sufficient provision for depreciation in order to prevent managing agents losing ? How many mills in Bombay are at the moment charging commission on production and not on profits ?

A. Twelve.

Q. I suppose there are no mills in Bombay which have got the system which we found to be the usual system in Ahmedabad—3½ per cent. commission on sales ?

A. I think three.

Q. Three of these twelve ?

A. Three or four.

A. *Mr. Saklatwala.*—I do not know of any mills which charge on gross sales. That is the system in Ahmedabad.

Q. Yes; 3½ per cent. commission on sales.

A. *Mr Saklatwala.*—I do not know of any mill in Bombay which adopts this system.

A. *Mr. C. N. Wadia.*—On sales of cloth and yarn ?

Q. Yes. That is their agency commission, instead of charging commission on profits.

A. *Sir N. N. Wadia.*—We will look it up. We have prepared a statement and we will give you that.

Q. It is not necessarily for publication.

A. *Mr. Geddis.*—There is one market for us all.

Q. From the answer to Question 43 we gather that some managing agents in Bombay receive commission on purchases of cotton, mill stores, etc.

A. *Mr. C. N. Wadia.*—No mills receive commission on purchases of cotton.

Q. In this connexion I would like to know more about this guarantee broker system to which you refer. You say "One or two managing agents are guarantee brokers to their own mills"?

A. *Sir N. N. Wadia.*—In my firm I have got guarantee brokers and we pay them so much commission. In certain mills the agents themselves act as guarantee brokers.

Q. And charge commission ?

A. Yes, because they do the work cheaply.

A. *Mr. Saklatwala.*—Some of the agents have taken powers under their agreements to act as their own salesmen instead of employing outside firms and agents. They act as commission agents for their own mills. I know of isolated cases where this is provided for but the general practice is not so.

Q. How many mills ?

A. I know of two or three. Perhaps Mr. Maloney may have better knowledge of that.

A. *Sir N. N. Wadia.*—Two, I think.

A. *Mr. Maloney.*—I have no further information.

Q. Do you consider it a sound system ?

A. *Mr. Geddis.*—The agents who undertake the duties should have the necessary qualifications.

Q. It is merely a question of qualification ?

A. You want the best selling agents that you can get.

Q Is that the only objection ?

A. Certainly, to my mind your sole object is to get the best selling agents.

Q. Are there any cases in which the managing agents have drawn their commission when the mills made no profits ?

A. *Mr. Saklatwala.*—It is the usual practice when there are no profits for the agents to leave the whole or part of the commission ; they forego it.

Q. We now come to Question 44, a point about which there has been a good deal of criticism. One of the criticisms, as you know as well as I do, that is levelled against the managing agency system in Bombay is that the agents have got too many irons in the fire and that they do not pay sufficient attention to the interests of individual mills. The contention is that they do not go to the mills as frequently as the Ahmedabad millowners do. The Ahmedabad millowners state that to be one of the reasons why Ahmedabad mills are making profits or at any rate more profits than the Bombay mills.

A. *Sir N. N. Wadia.*—I think there are plenty of agents who go to the mills daily.

A. *Mr. Saklatwala.*—We have mills in Ahmedabad. We have held our own against the best Ahmedabad mills, if there is anything in that criticism.

If they say that we have several irons in the fire we have other organizations for them. The mills are not looked after by the same men who look after them. We have other organization and see that the management is efficient.

A. *Sir N. N. Wadia.*—For instance Mr. Majmudar will say that the Sholapur mills are managed well even though the agents remain in Bombay.

Q. Another argument is that your board of directors of the Bombay mills are not able to do much ?

A. It depends upon the men. I would defy anybody to pick out cases. I will give you the names of my directors. You may tell me whether they are independent gentlemen or not.

Q. That is not the point. How much voice have they in the affairs of the mills ?

A. They have every voice. In my mills they have every voice. The receive monthly statements and everything is done with their knowledge. They can challenge anything they like.

Q. How often are directors' meetings held ?

A. Generally once a month, Sir.

Q. Is that your practice too, Mr. Saklatwala ?

A. *Mr. Saklatwala.*—Yes.

A. *Sir N. N. Wadia.*—They look into everything, yarn sale, cloths sale and various particulars concerning everything. All these are looked into.

Q. One point which arises in this connection is about insurance. We have been told that a good many managing agents are also agents for insurance companies and that the sole reason for doing so is that they get commission on insurance of their mills, the insurance of which is the only insurance business that they actually do ?

A. *Mr. C. N. Wadia.*—Perfectly true. I am an agent for an insurance company which returns to me a portion of my money, which I credit to my company. If I had not been the agent my company would lose to the extent of the money that I recover from them by being a nominal agent.

Q. I have been told that under the Insurance Act the agents cannot credit the commission to their companies ?

A. We do it.

A. *Mr. Saklatwala.*—It has nothing to do with the Act. There is a system by which the insurance companies form a ring practically. They put up what they call "Tariff Rules" a schedule of rates and they appoint their own agents. Under the tariff rules they have laid down that a certain rebate on the premium should be returned. In addition to that no further rebate is to be given to the mills. So though the agents possibly do benefit the mills do not suffer because under the tariff rules they do return to the mills whatever rebate they are bound to return under the tariff.

Q. It is merely a rule of their own?

A. *Sir N. N. Wadia.*—A rule of their own, it is a sort of combine. It is a very close preserve. In my case and my brother's case we get the agency commission and we credit it to our company. It is well known.

Mr. Majmudar.—As commission you get 42 per cent.

A. Yes.

Q. Do you consider it is any disadvantage to the mill industry as a whole ? Is there a possibility that when the Millowners' Association has to fight with the insurance companies they are handicapped by the fact that so many of the members are agents of insurance companies.

A. I do not think so. The proof of the pudding is in the eating. Last May we met the F. O. C., Bombay (Fire Office Committee) and they brought down the rates by 25 to 30 per cent.

President.—Have you considered the question of carrying out your own fire insurance ?

A. We have considered the question time after time and we have not been able to do it. We have not got enough money to take the risk for the time being.

Q. You will have to have an entirely different fund for fire, of course.?

A. Yes.

Raja Hari Kishan Kaul.—Do the directors generally exercise control over the managing agents ? You have given your own instance.

A. In my case they do.

Q. They do not give any instructions to the managing agents as to what should be done and what should not be done ?

A. I have found that these directors are consulted as to the policy to be adopted for hedging cotton or anything like that and they give directions to the agents as to the procedure they should adopt.

Q. They do ?

A. Yes, it is common.

Q. In how many mills ?

A. I am not speaking of any other mill. I am not a director of any other mills and I am not in a position to speak with authority about them.

Q. What is the practice generally ?

A. *Mr. Geddis.*—It is the same in our mill. I cannot speak for other mills.

A. *Mr. Saklatwala.*—I do not know if it is suggested that the directors act as mere dummies. They are entitled to all the information they require. I know certain cases where the directors do exercise efficient control. Certain propositions put up by the agents have been turned down after due consideration by the directors. You give some importance to the people who are more in the know and who actually carry on affairs from day to day. I think due weight is given to what is placed before them.

A. *Sir N. N. Wadia.*—There are black sheep in all countries. You will find the same in England and it is the same in India and it is the same everywhere else. Where the companies are mismanaged they do what they like. But where we have an independent board I may say proper control is exercised by the directors.

Q. Are the majority of the Bombay sheep black or white ?

A. I think white, Sir, I will give them that credit. I have heard an instance of that in the case of the Specie Bank when they put up dummy directors. This happened some years ago and I suppose you know about it. There was a failure of the bank. There the manager did what he liked. This sort of thing is done in England and everywhere else.

Q. As regards the managing agents taking interest in other kinds of business, does it not jeopardise the efficiency of the mill if the managing agent loses heavily in speculation.

A. I do not think as a rule you can charge the managing agents with throwing the loss on speculation on the mills. I would like anyone to substantiate it. It is very easy to start a rumour ; but it is as gross a libel as one can utter anywhere.

Q. Except in the case of the black sheep.

A. There are black sheep everywhere. Are not there such black sheep in England Are there not in the Punjab ?

Q. Probably there have been such cases ?

A. There will be. As long as human nature is human nature you will have such black sheep.

Q. But it is not the general practice ?

A. No ; it is not the general practice.

A. *Mr. C. N. Wadia.*—In practice, the process of speculating on cotton on your account and passing it on to the mills is a very difficult one for the reason that so many people have to get inside information.

Q. Even if it is not passed on to the mill, does not the fact that the managing agent has lost heavily weaken the position of the mill ?

A. *Mr. Geddis.*—In what way ? The mill must stand on its own legs.

Q. The managing agent is supposed to finance the mill.

A. In such cases certainly he ought to give up the agency. When a man has lost heavily and is not able to meet his immediate liabilities, he ought to transfer his agency to some oth er firm ; but you cannot say that in that case he passes on his own liability to the mill.

Q. You have got a system whereby the managing agent cannot be turned out ?

A. *Sir N. N. Wadia.*—I think no court of law will uphold that argument. If a man is committing a fraud the court will always give relief to the shareholders. I do not think that that argument holds good either in Ahmedabad or anywhere else. The court will give relief to you in Bombay at any rate.

President.—Do you consider there is any alternative to the managing agency system suited to the special circumstances of India ?

A. I do not think so. The very fact that practically every mill in India is managed by managing agents shows that this system is the most beneficial to the industry. There is not a single industry here with managing directors as in England.

Q. There is the difficulty of agency and finance ?

A. Yes.

Q. The difficulty in regard to the agent is a very real one ; but cannot the difficulty in regard to finance be removed ?

Q. The banks here demand collateral security, and personal guarantee of the agents themselves and as long as this is demanded, I do not see how you can replace the managing agency system.

Q. In England how do they raise their working capital ?

A. Mostly from the banks ; from what the banks give to the mills. They do not require a second collateral security.

Mr. Majmudar.—Do the banks take over the stocks in their possession ?

A. In some cases they do so both here and in England.

Q. They do not require the agents' countersignature then.

A. Even then they require it.

Mr. Subba Rao.—Can you possibly show us a copy of an agreement between the managing agents and the mill ?

A. I can show you my copy ; I have no objection.

Q. With regard to the directors, what fees do they get ?

A. In my company they get Rs. 100 per meeting. But generally the rate will be 30, 50, 70 or 100. It all depends upon the size of the company.

Q Is it true in Bombay as in Ahmedabad, the agencies have become a matter of family possession and has the system any drawbacks ?

A. No drawbacks. I do not see what drawback there can be

Q. You cannot guarantee continuity of ability in a family ?

A. That is why some of the agencies have been changed.

Q. What scope is there for a change ? What provision is there under the usual agreement for such a change ?

President.—Can the board of directors make a change ?

A. *Sir N. N. Wadia.*—No ; the shareholders can by a three-fourths majority.

A. *Mr. Geddis.*—Three-fourths majority is the general majority for all important matters.

A. *Sir N. N. Wadia.*—There are provisions in the Bombay Municipal Act, whereby the Municipal Commissioner cannot be removed except by a three-fourths majority of all the members present. Even the Municipal Act has this provision. It is not special to us alone.

President.—I heard of a case the other day in which the management of one big concern was transferred from one managing agent to another by the directors. Was that due by a three-fourths majority of the shareholders ?

A. The directors had to get a three-fourths majority afterwards.

Mr. Subba Rao.—But that depends on the agents not having any interest in the concern, on their not having a substantial share in the capital concerned. But I have heard it said that these agents as a rule hold a large block of shares. Is that true ?

A. Possibly yes. If they hold a large block of shares then surely it is to their advantage to manage the concern well.

Q. I am not speaking of their lack of desire to manage it well. But possibly it may be lack of ability to manage well. A man may be willing to manage well but not have the ability to manage well.

A. You mean the managing agents as financiers and not as managers ?

Q. Both.

A. There may be instances of that nature. But they are not common.

Q. In a certain case we came across in Ahmedabad a certain gentleman appeared to be managing a concern fairly well. But he had no ambition. When we suggested he should instal spindles he said he had no keen desire. Imagine a case of a big mill coming into his possession.

A. But those are isolated cases. I have heard these complaints made and it has been investigated in many cases and wherever it has been investigated it has been found that it is the shareholder that holds one or two shares that generally complains, while larger shareholders are quite content.

Q. You cannot be sure of transmission of ability from generation to generation.

A. Don't you think his common interest in the mill will make the managing agent alert ? When he holds a large number of shares himself, his interest is greater than that of anybody else.

Q. With regard to insurance, you stated that some agents of mills were also agents for insurance and they were giving the commission back to the company. Are there cases of people not doing so ?

A. Yes ; I know of two or three mill agents here who were insurance agents first and who became mill agents afterwards.

Q. I find that some mills seem to insure for a good deal more than the value of the block and stores held by them. One mill, for example, the total value of which is 47 lakhs, insured for 74 lakhs.

A. *Mr. Geddis.*—Written down value ?

Q. No ; the original value.

A. *Sir N. N. Wadia.*—The insurance should be on the replacement value for the insurance company will only give you up to the amount you have insured for. Suppose a mill costs you 74 lakhs to replace and if you only insure it for 47 lakhs the fire insurance won't give a penny more. So it is with regard to the replacement of the machinery.

Q. With regard to the association of managing agents with other businesses, what classes of business are the managing agents of cotton business in Bombay generally associated with ?

A. For instance, take my own firm.

Q. No personal examples need be given. Please give me some other examples.

A. I am an agent for Messrs. Platt Bros., cotton machinery makers. I import machinery and sell it to all the other mills in India. I have got a separate staff for that work. For instance, Tatas have got their hydro-electric works and they have got a separate organisation for each concern.

Q. There might be cases of conflict of interest.

A. The Tatas have got hydro-electric companies. Do you think there is a conflict of interest there ?

Q. We are here to find out.

Mr. Majmudar.—Has the system of managing directors been tried at all in the textile industry ?

A. *Mr. Maloney.*—There has been one example in Bombay ; but it was not a success.

(Continued on August 25th)

Sir N. N. Wadia.—Before we commence work today I should like to mention, Sir, with regard to the question of commission of Rs. 48,000 to which I referred yesterday, that it is wrongly mentioned in today's " Times of India " that it was the commission received by my company last year. That is not correct. Rs. 48,000 is only the minimum commission.

President.—I understand the point to be that the minimum commission due to your company under your agreement is Rs. 48,000 but that what the " Times of India " mentioned was that that was the commission you actually received last year ? This correction will doubtless now be noted by the Press.

A. *Mr. Geddis.*—Before we begin, I should like to refer to three points which came up yesterday. One is the difference in the prices of cloth and cotton. You had taken an index figure and we suggested it was not mathematically correct to do so. We have prepared a table* here for the last year showing the difference between the price of a pound of long cloth and a pound of cotton. I should like to put in that statement † if permitted.

The next point, Sir, was raised by Mr. Subba Rao and that is with regard to the wages paid to the Japanese labourers in Japan. It was suggested that their wages had increased since 1922, whereas this statement will show that it was not so.

Mr. Subba Rao.—Where are the figures taken from ?

A. *Mr. Maloney.*—It is stated in the statement itself, that they are taken from the International Cotton Spinners' Federation Report and the Financial and Economical Annual of Japan issued by the Finance Department.

Q. I have other figures which show that the wages had fallen in 1922-23 but they have risen since.

President.—We can use both for what we consider they are worth.

Subba Rao.—Quite so ; there are evidently figures which speak both ways.

A. *Mr. Geddis.*—If our figures do not agree with your figures, may we know where yours were obtained from ?

President.—They were I think supplied by the Japanese Cotton Spinners' Association.

A. Our figures are from the official figures published by the Government of Japanese.

The third point was raised by Mr. Subba Rao regarding Japanese exports to Siam. In the figures, I am afraid, there was a printer's error and I also submit a statement‡ correcting the error

A. *Mr. Maloney.*—The correct figures were given in Table 19F of the original statement.

SECTION V

Mill Finance

President.—We now come to the question of mill finance, Section V of the Questionnaire. Your Association does not consider that the general depression in the industry as far as Bombay is concerned can be attributed to either over-capitalisation of which there are very few instances in Bombay or of under-capitalisation. I have here a list of several mills in which there had been a considerable increase in capital in recent years for which probably there will be some explanation. But I think it may be advisable if we discuss these subsequently.

A. *Sir N N. Wadia.*—I think it will be better if we discuss it in the absence of the reporters.

Q. It is really for you, gentlemen, to decide which course you prefer.

A. *Mr. Geddis.*—Can we see the list of the mills ?

President.—What I have done is to compare the capital in 1914 with the capital in 1925 and I have noted the increase in looms and spindles to see whether there is any justification for the increase in capital.

A. There may be one or two mills which we are ready to discuss now.

Q. The two mills I have underlined might be easy to discuss.

A. We are ready to discuss those two mills now. I think, Sir, that it will be better if the case of each mill is judged on its own merits and we cannot speak for the mills of which we are not agents. The reasons with regard to most of the mills concerned can be obtained from the agents themselves, as whatever reasons they had for increasing their capital must be known to them and possibly not to us. With regard to the Swan mills I shall be glad to give you any information now that you may require.

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* Printed as Annexure A. † Printed as Annexure B.

‡ Printed as Annexure C.

Q. What we really want and what we can obtain from you afterwards is your general views as to whether any of these cases are cases of over-capitalisation.

A. In our case—that of the Swan mill and Finlay mill—the capital and reserves were equal; there were reserves against machinery with a big equalisation of dividend account so we issued bonus shares which did not affect the financial position in any way whatsoever.

Q. In fact, it was merely an ordinary incident which not in frequently happens in the case of good companies?

A. A procedure which very frequently happens at Home but not in India.

Q. We will take the others subsequently. As regards the question of extension of mills and replacement of machinery undertaken when prices were at their highest, there was a very large increase of spindles in Bombay in 1922-23, 230,000 extra spindles were erected in Bombay and about 3,400 looms. That is a fairly substantial increase. Don't you call that extension when prices were at their highest?

A. *Sir N. N. Wadia.*—May I explain? Some of the mills placed their orders in 1916-17-18 and owing to the war these spindles could not be shipped from England and they arrived in those years. That is the simple explanation. The makers were busy on munitions and they could not supply us in time.

Q. Yes; but even so you were paying top prices for them when you did get them.

A. That depends on the contracts made. Some were made at fixed prices where they had to pay the existing prices. Some were made at sliding prices and those migh have been paid for at bigger prices. Most orders were placed before the end of the war at fixed prices.

Q. It would be very interesting to know how many of these 230,000 spindles were the result of orders placed in the earlier years. 230,000 seems rather a large number.

A. *Mr. C. N. Wadia.*—You will notice that from 1915 to 1919 the number of spindles decreased. Then of course if you look at the whole record you will find over periods of five years, 200,000 spindles was about the normal increase. If you take a period of ten years, this increase has not been very abnormal, but only the usual progress.

Q. That is quite true. The only point is whether it would not have been advisable to postpone this normal increase owing to the high prices prevailing or at any rate whether it was not the existence of the high prices which prevailed which has proved a handicap to the industry?

A. *Sir N. N. Wadia.*—I do not think it proved a handicap in any way.

A. *Mr. C. N. Wadia.*—If you look at other countries, you will find that the progress has been even greater in the case of spindles. Certainly in America it has been enormously greater.

Q. Since the end of the war?

A. Yes.

Q. Similarly as regards Japan?

A. Yes and in America it has been even greater.

A. *Sir N. N. Wadia.*—In Japan in 1920 the number of spindles was 3,761,250 whereas in 1921 it was 4,116,361 and in 1922 it was 4,472,112. Thus you see a rise of 300,000 spindles in each year and next year they showed a drop again. I do not know why. But in 1924 they went up again to 4,845,000 spindles.

A. *Mr. Geddis.*—I would like to point out, Sir, that although the spindles have increased, our amount of yarn produced has by no means increased. That is, our production comparing 1924 with 1907-08 was less; and in 1923-24 it was less than in 1908-09. 1922-23 is practically the same as 1910. In 1909 our production amounts to the same quantity of yarn.

Q. That is accounted for by strikes?

A. No; by the ten hours' day.

Q. Also by going to finer counts?

A. *Sir N. N. Wadia.*—The average for the whole of Indian is the same. The average counts spun in all the Bombay mills is about the same.

Q. As regards Question 47, may I ask you what your Association regards as a liberal dividend?

A. *Mr. Geddis.*—It depends on the profits that are being made.

Q. Would you consider 50 per cent. a liberal dividend?

A. It is liberal, but possibly not too liberal, if you take into account the profits made. It depends entirely on what profits are made.

A. *Mr. Mody.*—And what position you have built up.

Q. Exactly. I find that according to the Indian Investors Year Book out of 46 mills, for which particulars are there given, 13 paid over 50 per cent. in 1919, 20 paid over 50 per cent. in 1920, 24 paid over 50 per cent. in 1921 and 19 over 50 per cent. in 1922.

A. *Mr. Geddis.*—What we did at our mill was that after getting the actual from profits we deducted the Agents' commission, depreciation and all taxation and got the net profit. We divided this, half going to the mill reserve and half to the shareholders and I think that during those years we paid dividends even higher than 60 per cent. In view of the fact that we were giving half the net profit to the shareholders I do not think we can call it liberal.

Q. I have here a list of several cases in which mills paid high dividends and placed nothing to reserve. Those cases were especially prominent in 1918. I have got facts from the Indian Investors Year Book which are available to anybody. In 1923 I find that a mill paid 42 per cent. and placed nothing to reserve; another in 1919 paid 20 per cent. and placed nothing in reserve. Another paid 18 per cent. in 1919 and another 28 per cent. in 1918, without placing anything to reserve. This was at the beginning of the boom. Another paid 30 per cent. in 1920, another 35 per cent. in 1918, another 20 per cent. in 1919 and so on. There are a number of these cases especially in 1919.

A. One would have to take into consideration the financial position of each individual mill at that time.

Q. My point is here you are just on the upward grade. 1918 was the beginning of your profitable period and you had no reason to believe then that this condition of affairs would last. I am asking your views as to whether it would not have been sounder if, at the beginning of that period, at any rate, you had started building up your reserves instead of at once beginning to pay these large dividends.

A. It all depends on the financial position of the mills. Some of the mills you name, for instance, our own mills, in another period would have paid everything away in dividend. Because our reserve then was almost equal to the capital or the equalisation of dividend fund was equal to the capital.

Q. How could they have been in that position in 1919? There were cases in which some of those mills had never paid any dividends and never put anything to reserves for years.

A. It is rather difficult to argue when we do not know what mills you are referring to.

A. *Sir N. N. Wadia.*—Don't you think the explanation is easy? When the accounts for 1918 were made up the agents and directors knew approximately what the profits for 1919 would be and they took that fact into consideration at the same time.

Q. But surely it is an elementary principle of sound finance that the first time a mill is in a position to make big profits, it should strengthen its reserve.

A. That is so. But are you prepared to say that they did not strengthen their reserves?

Q. I am mentioning such cases. There are about 20 of them here.

A. *Mr. Geddis.*—We must argue each case on its own merits.

A. *Mr. Mody.*—Would you mind giving the details confidentially so that we can discuss them at a later stage privately?

Q. Certainly. I have worked them out from the information available in the Indian Investors Year Book.

A. *Mr. Geddis.*—If you let us know the names of the mills we can discuss them.

A. *Mr. C. N. Wadia.*—The question seems to be what fraction of the total mills did this reprehensible action. I imagine you find it to be a very small fraction. The bulk of them take greater caution. After all you are dealing with the whole trade and not with isolated cases.

Q. But I have got about fifteen cases here which is a fairly large percentage.

A. *Mr. Mody.*—Fifteen cases spread over all these years or in each year?

Q. I have only picked out cases which I consider obviously require explanation.

A. Don't you think it will be more reasonable to look at the number of cases each year? There may be some in 1918, some in 1919, some in 1920 and so on.

Q. Most of these are cases for 1918 and 1919. This was just at the beginning of your boom period.

A. *Mr. Geddis.*—The mills might have been in good financial position to pay dividends like that Unless we know the names of the mills we cannot argue.

A. *Mr. Mody.*—We would like to go into that if you give us further particulars.

Q. I am quite prepared to do that and I think it is advisable to do so. But you yourselves in the beginning, in answer to Question 5, say that except for a few good mills with reserves, mills generally in Bombay are at present realising no profits. You admit that good mills with reserves are at present realising a profit. Does not that seem to show that the policy adopted during the boom period, of paying high dividends, was a little unwise. You admit that there are only a few mills at the present day with reserves. This must be due to the failure of others to build up reserves in the boom period.

A. *Mr. C. N. Wadia.*—May I point out to you that after all ten mills in 1918 only comes to 10 per cent.

President.—That is not the point. We have left that now, Mr. Wadia. In your answer to Question 5 you say that except for a few good mills with reserves, mills generally in Bombay are at present realising no profits....

A. *Mr. C. N. Wadia.*—What I was going to add was that in the case of 19 mills, in the case of all the best mills that exist in Bombay, some of which must be well managed, they cannot make a shilling at present.

Q. You say that mills with reserves are making a profit?

A. *Mr. Geddis.*—If you have got a mill with very large financial backing it can produce cloth and sell it at a quite unnatural price on account of the interest it is getting on its reserves.

Q. My point is that every trade must expect to take the lean years with the good years. What I am trying to get at is whether, if the mills in Bombay had limited their dividends in the boom period to, say, 50 per cent. as the maximum and put the rest to reserve, the whole industry would not have been in a much better position today?

A. *Sir N. N. Wadia.*—Ten per cent. of the mills were black sheep. Therefore you want to put the blame on the whole industry. Is that your case?

Q. It is not my case at all, Sir Nusserwanji. I have no case of any kind. I am only trying to get at the facts. I have mentioned the case of various mills which paid dividends and placed nothing to reserve. What I am now dealing with is the question whether all mills have not generally speaking paid too high dividends during the boom period, and whether the position of the industry would not be very different if they had limited their maximum dividend, say, to 50 per cent. or something like that figure?

A. I do not think, Sir, that you can generalise and say that every mill paid big dividends. I can say that even good mills did not pay more than half of their profits Therefore you cannot generalise. If you give us the names of those fifteen mills you will see that only some mills paid high dividends.

Q. The average dividend paid by the Bombay mills in 1920 was 52·6 per cent.?

A. *Mr. Geddis.*—I do not see those figures.

Q. No, they are mine.

A. 35·2, I should think.

Q At the outset I should make it clear that the statement submitted by Messrs Ferguson &Co. is of course accepted as correct. I have not the slightest doubt that it is correct in every respect, but, if I may say so, it seems to me to convey an incorrect view of the industry as a whole. If you will notice the figures for 1919 and 1920 you find that the paid up capital of the Bombay mills increased by about seven crores That was due, as you know as well as I do, to the fact that a big group ceased to be a private company and became a public company.

A. *Sir N. N. Wadia.*—I do not agree with you there.

Q. You have got five mills coming in with a capital of two crores. Therefore, in my view, to get a correct view of the state of the industry, one should leave out that?

A. If you see that statement, Sir, the number of mills that submitted their statements to us in 1919 was 66 and in 1920 it was 77. Don't you think that the capital increased partly due to these eleven mills being brought in.

Q. I am quite prepared to take the whole of the eleven mills. My point is that it is a fact that five mills with a capital of 6 crores came in in 1920, which upsets the balance of this statement.

A. *Mr. Geddis.*—What was the capital of these mills before?

Q. I have no idea.

A. *Sir N. N. Wadia.*—What was the number of looms and spindles in those five mills?

Q. I don't see how that affects the question.

A. Then we can work out the capital.

Q. My point is that it does not seem to me to give quite a fair idea of the condition of the Bombay industry in 1920-21 or even to-day.

A. Why not? If you take the capital of these five mills which was invested by the private concern before and which is brought into this statement you cannot say that 7½ crores capital increase is absolutely nominal increase, a put up job.

Q. I never suggested anything of the kind. I never made any comment on the capitalisation of the mills at all, Sir Nusservanji. My sole point is that in considering the condition of the Bombay industry in 1919-1920 and 1921 it is fairer to leave out those mills because they came in with this very large capital. The fairest comparison is between your 66 mills over the whole period.

A. *Mr. Geddis.*—Might I suggest that you deduct the mills which have an absurdly small capital out of the balance of 66. There are many mills started on small capital which paid high dividend and therefore bring up this figure of Ferguson's. If you are going to take into account overcapitalisation you have got to allow for undercapitalisation. Mills put down years ago are quite out of proportion to-day. You cannot take one away and not the other.

Q. It seems to me that for the purpose of comparison the best comparison is to take your 66 mills of 1917 for the whole period.

Surely not, Sir. If you want to take away the overcapitalised concerns you should take away the undercapitalised concerns too.

Q. If you take the same 66 mills for the whole period, is not that a fairer method of seeing the position of the Bombay industry?

A. It won't show the true position.

A. *Sir N. N. Wadia.*—If you ask us to work out what the percentage dividend was, say on block cost of the mills perhaps that will give you a fairer idea than anything else. We have shown you, Sir, the block cost, cost of land, buildings, etc., in column 5. If you will work on that basis then I think you will get a very fair idea because there are some cases of undercapitalisation as against overcapitalisation. That will give you very fair idea of what the dividend percentage came to.

Q. I am ready to consider any figures you give us.

A. *Sir N. N. Wadia.*—Would you like to take column 5 and column 9 on that basis?

Q. After depreciation?

A. Instead of the paid up capital, if you will take column 4 and work it out it would be much better. We can easily have a statement worked out for you by Fergusons.

Q. If it is merely a question of comparing the dividend with the block cost it can be worked out in a few minutes.

A. I will give the percentage to-morrow. That will be the fairest comparison for you to make.

A. *Mr. Saklatvala.*—I would make a general remark in this connection. Assuming that there have been mistakes in certain cases of paying away dividend, don't you think, Sir, that for the purpose of this enquiry they may be out of place. It is the present position that has to be considered.

Q. I entirely agree with you, Mr. Saklatvala. That is what we have to do. Our object is to take the facts as they are at present before us.

A. *Mr. Saklatvala.*—What I was submitting is that because of mistakes in a few cases it should not be generalised that the industry has been paying away large dividends during the boom and that is why it has come to this parlous condition at the present moment.

Q. We have every intention of doing that. It is the only fair method of procedure.

A. *Sir N. N. Wadia.*—Now, Sir, I will give you my own example. My capital in 1919 was 32 lakhs. Then by bonus shares I raised it to 64 lakhs but my block cost has come to nearly 3 crores of rupees. Now is it fair to calculate dividend on the basis of 64 lakhs or 32 lakhs or on the block cost of 3 crores of rupees. If you will see, in the Fiscal Commission's report they have laid down the procedure as to how you should calculate the profits, and what method you ought to employ.

Mr. Subba Rao.—Would you give a reference to that section of the proceedings?

A. *Mr. Maloney.*—Volume III. It is in the evidence of the Bombay millowners.

Q. But not laid down by the Commission. You said the Commission had laid down some procedure.

A. *Sir N. N. Wadia.*—No; the Association. But they asked us to work it out on that basis. Now, Sir, don't you think that is a better procedure that you should calculate dividend on block cost. That will be the fairest method I think, Sir. What will be the block cost of a mill starting with full capital now or in previous years. The bulk of the mills to-day are undercapitalised; they were built in pre-war days and extended out of profits.

President.—What do you mean exactly by "undercapitalised"?
A. If these mills were to be rebuilt to-day they would cost about two or three times as much as they did originally.

Q. That does not mean they are undercapitalised?
A. According to these data they are undercapitalised. Similar mills could not be put up at that price.

Q. I do not consider that a mill is under capitalised if it does not want any additional capital to enable it to carry on.
A. Because they have reserves. But suppose you start to-day that new mill at the present cost of machinery, land and buildings, what will it return under the present circumstances of the market? That is the main consideration before you, Sir.

Q. I agree, but I think this undercapitalisation to which you are referring is an entirely different matter from undercapitalisation as it is usually understood. The mills to which you refer have not got heavy debentures or mortgage debts. If they had, that is what I should understand by undercapitalisation.

A. *Mr. Geddis.*—What we meant was that the block account being free of debt was out of all proportion to the capital which was very much smaller.

Q. Quite so.
A. *Sir N. N. Wadia.*—The fairest way to work out the dividend paid is on the block cost and not on the capital subscribed. The block cost will be much heavier to-day than what is shown in column 4.

Q. If you are judging the prosperity of the industry surely the best way to judge it is by the dividends which it is in a position to pay on the paid up capital?
A. Your enquiry must be whether under present circumstances if a mill was established with fresh capital at the present cost of land, buildings and machinery, it could be made to pay. That is I think the fairest way to look at it, Sir. This will give you a much better guide and I suggest that the dividends should be worked out on column 4, block costs. Then it will show that the dividend has not been paid 45 or 50 per cent. on the whole industry. Would you like us to work out a statement on that line?

Q. I think it would be helpful.
A. Why I put that question to you was because we discussed the same question with Sir Basil Blackett when I went up last year with a Deputation to the Viceroy. The question then put to me was the same, whether a new mill at the present market price of land, buildings and machinery can pay or cannot pay. That is the main question.

Q. Would you kindly work out those figures for us?
A. Yes; then you agree.

Q. I am not agreeing to anything. I merely say that figures worked out in that form will be helpful to us.
A. Columns 4 and 8.

Q. If it is merely a question of working out the percentage we can easily do it ourselves We are capable of working out a simple sum in arithmetic!

Whilst we are on this subject of the statements submitted by Fergusons, there is one point I would like to clear up. They have submitted to us two statements, in the second of which they made certain adjustments. You have adopted quite naturally the second of the two statements because it shows the condition of the mill industry in a more unfavourable light in the last two years than the first one.
A. I do not think, Sir, that that is the object. We sent you the statements as received from Messrs. Ferguson and Company. We put all our cards before you and we had no intention of showing the mill industry in a worse light than it was in one statement or the other. We are honest and put the statements as we received them before you.

Q. I know you do not wish to show the mill industry in a worse light than it is.
A. We put in the statements without any comment and that shows the exact honesty of our intentions.

Q. My point merely is that you have naturally, quite naturally, used the second of their two statements in preference to the first.....
A. If we had any bad intentions we would not have submitted the first statement.

A. *Mr. Geddis.*—Was not that statement drawn up according to your wishes, Sir?

Q. You have not allowed me to finish. If you will allow me to finish my remarks, you will see that I do not make any comment at all. The point that I was about to make was this. For these last two years Messrs. Ferguson and Company have stated that they have deducted the correct allowances for depreciation of buildings and machinery in compiling this statement. They have taken 2½ per cent. for buildings and 5 per cent. for machinery. They say that this should have been deducted but that owing to the financial position it was not deducted in many cases and therefore they have deducted it. The point that I wanted to make was that for the purpose of strict comparison they should have done the same thing throughout. The point I want to make is that in 1917-18 mills were not making proper allowances for depreciation of buildings. It does not seem quite correct to make this deduction for 1923 and not for all previous years.

A. You say in 1917-18 the mills were not putting 2½ and 5 per cent. to depreciation.

Q. Yes.

A. In how many instances ?

Q. I do not profess to be an expert in these matters. I may be wrong, but I gave you just now the case of some mills which placed nothing to depreciation in 1918 and previous years.

A. Might I suggest then especially as the last statement was drawn up in accordance with your wishes that Messrs. Fergusons be asked here and you put your questions to them as regards this statement we have put in.

Q. I am not quite sure whether you follow my point. As far as I can gather—I do not profess to be an expert in balance sheets—but as far as I can gather in 1918 a number of mills were not making proper allowances for depreciation.

A. Unless you give names and let us see the position we can neither contradict nor agree with you.

A. *Mr. Mody.*—Your present point is really that if depreciation was allowed for by Messrs. Ferguson & Co., on the same basis then the position will be more favourable to us ?

Q. We are here to get at the facts. No question I ask should be considered as implying any opinion in my mind either for or against. My point is that you have shown here the percentage of reserves for 1923-24 after making certain allowances. If those allowances had been made in the earlier years, the picture might not have been so gloomy as it is.

A. *Sir N. N. Wadia.*—May we ask Fergusons to prepare a statement for all these years on the same lines as for the last two years ? Is it your intention that we ask Ferguson to prepare a statement for all these years on the lines on which they have prepared it for the last two years ?

Q. I am not quite sure that it is worth while?

A. We will get it done.

A. *Mr. Mody.*—I think it will be worth while.

Q. By all means have it done if you think so. But don't you consider that this statement justifies my remarks ?

A. *Mr. Geddis.*—That is one case, Sir. You are talking of an Association of....

Q. My point is simply that if you do it for one year in order to get absolutely accurate figures do it for all years.

A. *Mr. Geddis.*—You can't condemn the industry like that.

Q. I am not condemning the industry. I am merely pointing out that is necessary for purposes of comparison. I am not making any criticism of any kind on this particular point. I am merely pointing out that for the purpose of comparison, you should make the same allowance for all years.

A. *Sir N. N. Wadia.*—We will have a new statement prepared for you.

Q. There is no question whatever of condemnation or praise at this stage of the proceedings.

A. *Sir N. N. Wadia.*—It makes no difference. We will make a new statement according to your wants.

Q. Thank you.

A. *Sir N. N. Wadia.*—Then you want a statement with adjustments for all these years—the second statement ?

Q. Thank you. The next question is about the working capital. The only point about that is whether this system of short loans is really a sound one ?

A. *Sir N.N. Wadia.*—We think so, Sir, because we buy cotton and store it up in the beginning of the season and towards the end of the year we do not require so much money. In our opinion that is a sounder system in the interest of the companies.

Q. The only point that arises is this. It may be a sound system in the case of good mills, but might it not accentuate the difficulties of working of the less well managed mills ?

A. I do not think so, Sir. Temporary loans are more easily got than long term loans.

A. *Mr. Geddis.*—The industry takes money when the money market is easy but does not require money when the market is getting tight.

Q. Would the mills be better off if they were in a position to supply their own working capital ?

A. *Sir N. N. Wadia.*—What is the meaning ?

Q. If they can supply the working capital from reserves ?

A. Of course they will save the interest.

Q. Yes, would that be an advantage ?

A. But in the slack season when the stocks are going down they will be losing interest.

Q. I want to know which is better on the balance ?

A. On the balance I think that short term loans are preferable.

Q. That is the point I wanted to get at.

The only point about the next item is this. You say it is not the common practice of the mills to invest funds in allied concerns, but in isolated cases funds have been so invested. There have been such cases. We found some in some of the balance sheets. The point which arises about it is that this is a practice which undoubtedly seems to give point to the criticism of the managing agency system. Does your Association on the whole consider it advisable to drop it ?

A *Mr. Geddis.*—How many instances are there, Sir ? I think it can only be one instance. We cannot really call it a practice.

Q. If you, gentlemen, are prepared to assure us that there is only one instance then the question is not worth pursuing.

A. We can assure you that there is only one instance.

Q. As regards Question 52, you say that good mills with large reserves can to-day get money at fixed deposit at 5 to 6 per cent. If that is the case there is no special handicap there as compared with Japan. Is there ?

A. *Sir N. N. Wadia.*—We do not know what the bank rate in Japan is and what the conditions there are. Here we have to pay 5 or 6 per cent. and give collateral security.

A. *Mr. Geddis.*—They may have banking facilities. They may be mentioned in the book you referred to yesterday.

Q. You mean ?

A. *Mr. Geddis.*—The one regarding the enquiry into bounties.

Raja Hari Kishan Kaul.—We have been talking about certain mills which were converted into joint stock companies. I presume you are aware there are certain instances in which private companies were converted into joint stock companies during the boom period at preposterous rates, or very high rates and that eventually these mills came back to the original proprietors at much lower prices ?

A. We do not know of any such instances.

President.—The Raja is referring to a statement in "Capital".

A. That statement is incorrect in our belief.

A. *Sir N. N. Wadia.*—I do not think any mills have come back to the original proprietors. The Secretary tells me that he has written to you about it.

Q. Your Secretary answered that it was not the case as far as you are aware.

A. *Sir N. N. Wadia.*—We do not know of any instances where mills have come back to the original proprietors The statement was, I suppose, made by an interested party in an inspired article.

Q. If you are unaware of any such instances it is scarcely likely that there have been such cases.

A. *Mr. C. N. Wadia.*—Not to our knowledge, I do not know of any.

Raja Hari Kishan Kaul.—About overcapitalisation and under-capitalisation, I presume if the subscribed capital is small and interest is paid on loans which are used for the purpose of block account, or for running account, it materially reduces profits. Is it not so ?

A. *Sir N. N. Wadia.*—I do not think so, Sir. In the ordinary times an industry in the natural course ought to make 7 or 8 per cent. because nobody will invest money without that return. If the industry can start with a smaller capital and borrow its working capital at 5 or 6 per cent., it is making that 2 per cent. extra profit.

Q. You mean that the rate of interest is low and the profits are large ?

A. Not large profits. Ordinary profits.

Q. This undercapitalisation is an advantage ?

A. To a certain extent it is an advantage.

Q. On the contrary if capital is increased it becomes difficult to secure reasonable dividends.

A. If it is overcapitalised you cannot pay the same percentage.

Q. So that, overcapitalisation is a fault in any case and undercapitalisation can be in certain cases.

A. Not in ordinary cases ; say rather in ordinary times.

Q. With reference to Question 47 you have admitted that it is only mills with large reserves that are faring well. In answer to Question 47 you say : " We do not consider that there was an unduly liberal distribution of profits by mills and so on". So that where the reserves were laid aside the position of the mill was strengthened for a crisis like the present.

A. Of course when the reserves were put aside, naturally.

Q. Therefore if we find on enquiry that in the majority of cases they were not laid aside it means.....

A. I am afraid you won't find the majority of cases.

Q. It remains to be seen. If it was not done, it was an omission which is more or less culpable.

A. When you have prepared your statement, Sir, we will answer that.

A. *Mr. Mody.*—The question whether the distribution in good years was wise or unwise is not to be judged by the present depressed times through which the industry is passing but by the position of the mills at the time of the distribution. I submit that it will be a fairer way of looking at it.

Q. The wisdom of the step is to be judged from the effects it produces in hard times.

A. *Sir N. N. Wadia.*—We are all human beings. Sometimes we become wise after the event. If we all foresee what is going to happen five years hence we should be angels and not human beings.

Q. It is not with the intention of finding fault, but only to see what has led to the depression.

A. A similar thing happened in Lancashire. There was a gentleman I believe Mr. White—I suppose you have heard his name—who bought up a lot of mills and overcapitalised them during the boom period and paid handsome dividends. But for the sins of the few many should not be penalised. That is what I should like you to remember, Sir.

Q. As to temporary deposits, you say that they can be obtained easily by mills whose financial position is strong. The mills whose financial position is not strong I presume find difficulty in obtaining deposits ; but it is the mills which are in the worse position that need all the money. So, is not that a serious cause of embarrassment, when mills depend upon these short term deposits ?

A. I do not think so, Sir, because when they are embarrassed they do not depend on short term deposits only. Then they take money largely from banks against their stocks.

Q. They cannot depend then on short term deposits at all ?

A. Probably not. They have to make other arrangements.

Q. The question is whether the system is sound.

A. For an ordinary mill, a properly floated mill in our opinion, that is the soundest system.

Q. In order to supplement its working capital during the purchasing season ?

A. That is right.

Mr. Subba Rao.—Mr. Geddis, you made a very interesting remark about which I should like to ask you one question. You said that good mills are selling now at unnatural prices on account of the fact that they obtain interest from the reserves. I don't know what you mean exactly ?

A. *Mr. Geddis.*—I mean that when a mill has money and it deposits that money throughout the year it gets interest which must bring down its cost of production. Or if the mills make a loss, at the end of the year against that loss they can put the interest that accrues.

Q. Quite so. Do you mean to say that at present some of the good mills are not recovering from the price ruling now their full cost and would be losing but for the fact that they get interest from the reserves ?

A. I say many mills that are possibly showing a profit to-day are not doing so on their ordinary working.

Q. They are not covering their full expenses by the current prices ?

A. That is so.

Q. Now, coming to Question 47, about the level of profits, taking the whole of the owned capital as the basis on which a profit is to be realised and not up what do you consider would be a fair rate of profit in your industry ?

A. Eight per cent.

A. *Sir N. N. Wadia.*—Eight per cent ? No, Sir. If banks pay 6 per cent. for your deposit nobody is going to invest in industrial concerns to-day at less than 10 per cent.

A. *Mr. A. Geddis.*—Eight to 10 per cent.

President.—If that were the case, would there be any transactions of any kind on the Bombay Stock Exchange in mill shares at the moment ?

A. *Sir N. N. Wadia.*—Why not ? All their prices are depreciated. The stock exchange prices are to-day lower than they ought to be on the balance sheet figures.

Q. Very few of the mills in Bombay are giving a return of 8 per cent. on the share price at this moment ?

A. They are mostly worked out on a 6 or 7 per cent. basis just now.

Q. Yet there are transactions in mill shares, even in the shares of mills which are no paying any dividend at all ? They are hoping for better times, I suppose ?

A. I suppose so. You must also remember one fact I mentioned to you yesterday. That is where the managing agents come in. They hold the bulk of the shares or a good portion of the capital in their possession and they strengthen the basis of the mills by not throwing out shares on the market. I again repeat that statement in answer to the question, what purpose managing agents serve. Their holding keeps up the market. If their holding was thrown on the market, shares would slump further down.

Mr. Subba Rao.—There is one other question. If you turn to the table on page 35, the table of profits in the year 1921, I find that the carry forward becomes a negative quantity. Can you explain why ? In a year with good dividends and good profits, though not so high as in the preceding year, you carry a good deal to reserve while the carry forward becomes a negative quantity. Is it a mistake ?

President.—Minus 34 lakhs.

A. *Mr. Maloney.*—It is not a mistake, but I think the explanation would have to be asked from Messrs. Ferguson & Co.

Mr. Subba Rao.—Very well, I should like to have an explanation. It looks rather paradoxical.

Q. One question in regard to Question 48. The capital of a good many concerns, consists of share capital, reserve fund and so on. May I know if it is the practice of the mills to credit the reserve fund account and other accounts with interest ?

A. *Sir N. N. Wadia.*—It used to be done some years ago, some 20 years ago, but very few mills now credit interest on reserve fund.

Q. Or depreciation fund ?

A. No.

Q. What you get in the way of dividend on the paid up capital is in a measure a return on the reserve fund ?

A. What has paid up capital to do with that ? Your first question was, do the mills credit interest on their reserve fund ?

Q. Quite so.

A. I say in former years that used to be the practice but that is not the practice at all as far as my knowledge goes.

Q. Does it not then go to swell the dividends or the returns on the paid up capital beyond the normal ? You declare now profits or dividends without complying with book keeping or account transactions by crediting all the funds held by you with their due interest.

A. Reserve fund you mean ?

Q. All those funds owned by the shareholders. It is a fund at your disposal on which you do not allow interest in the account books.

A. If we allow it the profits would be much smaller.

Q. I want to know how you do it, whether you get the profits on a conservative basis or on a different basis, because I understand from Mr. Padshah's pamphlet it used to be done before, but not now.

Mr. Majmudar.—Mr. Geddis, you suggested that the mills making profits to-day would be doing so because of the interest earned on the unused reserve. You are referring to the Bombay mills or up-country mills ?

A. *Mr. Geddis.*—Generally our remarks are confined to Bombay mills.

Q. With reference to the reserves, they are mostly built up with the idea of utilising them as working capital. Naturally therefore interest is not credited to the reserve in the yearly accounts. Is that the idea ?

A. Yes.

Q. With reference to the question of percentage of profits on the cost of land and buildings and machinery, would you not deduct depreciation in the case of a mill of 30 to 40 years' standing ?

A. *Sir N. N. Wadia.*—I do not think that is a fair way of doing it. As I explained before what would you make on a new mill at the present block cost of land, buildings and machinery in a normal year. That is your fairest method of judging how the industry can thrive at the present moment.

Q. If we are preparing a statement of valuation of the buildings and machinery, would depreciation not be deducted ?

A. No, I do not think so, because even the block costs are shown in these figures. It is much lower than the present values.

A. *Mr. Geddis.*—If you had a mill and put 5 per cent. every year to depreciation, at the end of 20 years it must be standing at nothing. How would your percentage work out then ?

Q. As the mills go on working some parts of the machinery are worn out though it is kept in perfect working order.

A. *Mr. Geddis.*—Some write down to 5 per cent.

Q. I do not mean to say that the whole amount, supposing the machinery is standing for 20 years should be written off, but what I mean is that a certain percentage has to be deducted for depreciation of machinery which has been working for a number of years.

A. Yes, and after a number of years, deducting each year, you will have a machinery standing at a fictitious price in the balance sheet.

Q. Supposing you take 30 or 40 per cent. as your depreciated value.

A. *Sir N. N. Wadia.*—I will give you the income-tax practice. That will be the sound practice to follow in your argument. What the Income-tax Collector does in assessing our profit, is to allow depreciation at the rate of 2½ per cent. on buildings and 5 per cent. on machinery on our block cost. But after 20 years he only gives us an allowance when the mill is extended. He gives us depreciation in the balance. That is what he gives for 20 years practically wipes out the whole original value of the machinery. If you do that then the block cost would stand at nothing.

Q. You are depreciating your machinery to a certain extent every year. Would it be fair to compare profits or dividends on the total capital outlay even though the machinery has depreciated ?

A. Yes, for our purpose, As I explained the question is what a new mill starting with land buildings and machinery to-day will do under the present circumstances. That is the main point in the case which you are enquiring into. If you see the Fiscal Commission's report you will see how that is worked out there.

Q. It does not seem to be a fair way.

President.—Before we leave this section I might say we should be very grateful, if Messrs. Ferguson and Co. are going to work out further figures, if they would work out the position for the mills that have remained constant throughout. Of the 81 mills which is the maximum figure in the statement there are apparently 63 which have remained constant throughout.

A. *Mr. Maloney.*—I will ask if it can be done.

Q. We want the figures for the whole of the 63 mills which have been there all the time.

A. *Sir N. N. Wadia.*—It will be elaborate work.

Q. They must have got the figures. It is merely a question of adding them up not of any fresh examination of the balance sheets. I do not wish it done if it means a fresh examination of balance sheets.

A. *Mr. Geddis.*—It will not give a true position of affairs. Why not take the last year or the year before.

Q. In 1923 there were 81 mills. I think there are inferences to be drawn. I wish to see what those inferences are. In any case would you let us have the names of the mills which appeared and disappeared from this statement. I do not wish the work done if it means any wholesale re-examination of the balance sheets.

A. *Sir N. N. Wadia.*—We will ask Fergusons.

Q. Whether we shall use it for any purpose remains to be seen. Because we ask for a statement it does not follow that it will necessarily be used.

Section VI

Cost of Production—(a) General

President.—Do you consider that all the mills in Bombay can be said to have an up-to-date and accurate costing system ?

Sir N. N. Wadia.—It is very difficult to answer that question, Sir. As we have said mills are very jealous of giving figures to each other and we as an Association cannot answer that question whether every mill has got an up-to-date system or not. I may say that most of the mills have got a system.

Q. Only most of the mills ? Some have not ?

A. They must have a system ; but whether it is an up-to-date system or not, we cannot say.

Q. Just one point in regard to Question 53. You have been good enough to send us a statement of the cost of a modern mill. Have you any objection to that statement being included as an appendix to your evidence ?

A. No objection if the details are not given.

Q. If that is so, it was unfortunate that you have referred to it in your evidence. As a matter of fact it was asked for by us for our own information. Therefore it is very unfortunate that it should have been referred to in the evidence unless you were willing that it should be published *in extenso* and the result has been that we were immediately asked for copies of it. Can you, without going into the details, give us a statement which can be appended ?

A. The same form which I have supplied.

Q. You had better then send us a copy that can be included as an annexure.*

The information we have shows that prior to the war the cost of erection of a mill in Japan with spindles varied from £5 to 6 a spindle. In India it would come to £3 and odd Your estimate for the pre-war days is 26 lakhs.

A. It was Rs. 55 in Bombay ; it comes to £3-6.

Q. The latest figures for Japan are for 1919 and show £12 a spindle.

A. It will be less by 50 per cent. now. Who supplied the Japanese figures ?

Q. These are from the American Tariff Commission Report.

A. *Mr. Maloney.*—From the Japanese Cotton Spinners' Association ?

Q. If I may say so, they have, at any rate, the obvious answer that the figures they supplied to the American Tariff Commission are as much entitled to be considered as accurate as the figures that are being supplied to us with regard to the mill industry in India. From the mere fact that the figures are supplied by the Japanese Association it does not necessarily follow that they are not true. The United States Tariff Commission would not publish figures of which they have any reason to doubt the accuracy.

A. *Sir N. N. Wadia.*—They may be just mis-informed.

Q. But is there any reason not to believe that the cost in Japan worked out at £12 a spindle in 1919 ?

A. That might be. But it won't be £6 or 7 to-day.

Q. Yet it costs you £7-10-0 to-day ?

A. Rs. 100 a spindle. I can from my own information say that the Japanese are buying machinery at about the same price as we here, from Platt Brothers. The freight from Lancashire to Bombay and the freight from Lancashire to Japan is very nearly the same. So I do not see why except in the matter of the cost of land and building, there would be any difference at all.

Q. That is what I was about to lead up to. My point is that the Japanese have had no additional advantage in this respect ?

A. They have an advantage over the Bombay mills in the fact that the prices of land in Japan are not so high as they are here.

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* Printed as Annexure D.

Q. The price of land is high there too. They are faced with the same problem there as you are in Bombay.

A. What is the price they have given ?

Q. I do not remember. But at any rate your mills were built at a period when land was comparatively cheap and any mills put up there in the industrial zones are put up when land values have gone up.

A. What about their mills put up in the past ?

Q. They have been putting up mills more frequently than you have in recent years. The only point is whether you consider, looking at it all-round, that they have had any advantage over you in the past.

A. Except in the case of land and building I do not think they have had any advantage, etc., in regard to machinery.

Q. The advantage as regards land and buildings must be a matter of opinion as regards up-country mills. In Bombay no mills have been put up since 1914.

A. But then as regards the up-country mills, you must remember that the up-country mills have to pay railway freight, while most of the Japanese mills are built at the sea ports.

Q. I notice that in your reply to Question 54 you say ' that generally speaking, most of the mills in Bombay city and Island are of a size, type and lay-out conducive to fairly economical working '. Only fairly economical ?

A. Until progress takes place in building, housing, machinery and in new ideas of architecture, you cannot have economical working. For instance, with regard to a mill built 30 years ago you cannot say it is economically equipped with up-to-date plant.

Q. How far do you consider there is scope for improvement ?

A. We cannot say. For instance, my textiles mills which were laid out in 1895 are entirely different from my Spring Mills laid out in 1908. The one is more economical for handling. It is built on modern lines. I think my friend Mr. Majmudar knows that the No. 3 mill at Sholapur is more economical than the No. 1 mill. You have to keep pace with the times and if you do not make progress it is no use.

Q. The point I am trying to get at is whether the Bombay mills have kept pace with the times.

A. I think so. They have been progressing.

Q. It is presumably extremely difficult, if not impossible, to make any great alterations in an old mill if you want to bring it up-to-date ?

A. Yes ; because the building is there and unless you pull it down and rebuild it you cannot make substantial alterations.

Q. Quite so. To that extent the old mills in Bombay are distinctly behind the times ?

A. Of course ; the same is the case with every country.

A. *Mr. C. N. Wadia.*—In Great Britain also it is the same.

A. *Sir N. N. Wadia.*—I have seen 50 year old mills in Lancashire.

Q. As regards the efficiency of machinery, I understand you to say that there is an advantage in the use of old machinery because it costs less. You say that consideration must be given to the fact that the older machinery was obtained at very much cheaper rates. Do you consider that that more than counterbalances the increased production you get from the new machinery ?

A. In some cases, yes.

Q. When it is kept in efficient working order.

A. Yes ; Mr. Majmudar has referred to it just now.

Q. With regard to Question 57, I take it that you admit that the Japanese operative is more efficient than the Indian ?

A. I have no knowledge personally.

Q. The Millowners have never been able to work out the actual cost of labour in a Japanese mill as compared with that in an Indian mill ?

A. No.

Q. It has been worked out. I think the Government of India worked it out, and it was found that the wages bill in the two countries is about the same.

A. That might be according to the statement which they give us ; but that does not lead us far. The average figure they have given us includes allowance for food, housing allowance and other allowances and we do not know where we are.

Q. The only respect in which you claim they have an advantage over you is with regard to double shift working ?

A. Also in the cost of stores and other things, Sir. They have no taxation to pay like us. There are a lot of other things.

A. *Mr. C. N. Wadia.*—Machinery, stores, for example.

Q. That is not a large advantage.

Sir N. N. Wadia.—We have got all kinds of taxation. We have to pay General tax at 11½ per cent. on the valuation of our buildings. It is not a very small item. Although these items may appear to be small, yet when they accumulate they amount really to a very big sum.

Raja Hari Kishan Kaul.—Are mills losing more on yarn than on cloth ? We were told so.

A. *Mr. Geddis.*—Generally speaking, I think so at present.

Q. The profits on yarn are not necessarily less than those on cloth ?

A. *Sir N. N. Wadia.*—I think they are less.

A. *Mr. Geddis.*—The loss on yarn is greater than the loss on cloth.

Q. That is what I mean ; that is by selling the yarn in the market according to the present prices, you make less profit or more loss than by converting the yarn into cloth ? That is what we were told.

A. Yes ; at the present moment.

Q. And yet your spindles are in excess of the figures that you have given us by about 60 per cent. You have told us that a model mill should have 30,000 spindles and 1,000 looms. According to that, the spindles in Bombay are about 60 per cent. in excess. So this excess of 60 per cent. spindles is intended for producing yarn for sale ?

A. *Sir N. N. Wadia.*—How do you get that figure ?

Q. 30,000 spindles and 1,000 looms are enough for a self-sufficient mill, according to your figures.

A. According to Table I we have got in Bombay 72,266 looms. Multiplying that by 30 we get about 2,200,000 spindles. This means 12 lakhs is the excess. That comes to about 33 per cent. and not 60 per cent.

A. *Mr. Geddis.*—In any case it is only at present that the yarn market is worse than the cloth market. It may not be so in six months' time.

A. *Sir N. N. Wadia.*—Only 13 lakhs increase on 34 lakhs. Then what is the total percentage of increase ? It is only about 30 per cent.

Q. According to my estimate we should have 21 lakhs of spindles and the excess is 60 per cent.

A. It is a different way of looking at it.

Q. I am mentioning the excess over the number that we ought to have according to the estimate you have given and that is 60 per cent.

A. *Mr. C. N. Wadia.*—You must have yarn for handloom industries and other necessities of trade.

Q. I do not say anything about that. I am only showing you the increase.

A. *Sir N. N. Wadia.*—But your calculation is wrong. I think you ought to take the total number of spindles into consideration.

Q. No ; I am not wrong. According to your estimate, for 72,000 looms you should have about 21 lakhs of spindles. Anything over and above that figure is excess.

A. I agree ; but on what basis is the percentage to be taken ? I say it should be taken on the total number of spindles.

Q. On the total number of spindles that you ought to have according to your statement ?

A. If you take the total number of spindles into consideration, it works to 33 per cent.

President.—Thirty-four lakhs is roughly the total number of spindles in existence. Roughly 22 lakhs will be the number of spindles required for 72,000 looms. So you have 12 lakhs left and you say 12 to 33 is practically 33 per cent. ?

A. Yes.

Raja Hari Kishan Kaul.—Quite so. About one-third of the existing number of spindles are not wanted for weaving. It comes to the same thing.

A. Yes ; that is the correct way of putting it.

Q. With regard to question 55, the difference, according to you, between the production on the new machinery and that on the old machinery is about 20 per cent.—6¾ ozs. and 5½ ozs. ? Do you think the difference due to cheaper prices of machinery balances that ?

A. *Mr. Geddis.*—We do not say that there is that difference. There are mills which use old machinery. We do not say that all the old machinery produces 5½ ozs. only.

Q. That is not the average difference ? But taking it that one mill is using practically all new machinery and another all old machinery, the difference will be that ? Is it not so ?

A. *Sir N. N. Wadia.*—You have taken the best and worst conditions ?

Q. Yes ; I want to know what will be the difference between the two.

A. Yes ; it is right.

Q. Probably, as a matter of fact, no mill has got entirely new machinery. Very few have got entirely new machinery and very few have got entirely old machinery ?

A. I do not know, Sir. The bulk of them have renewed large portions of their machinery. But I do not think, at least I cannot tell you without enquiry whether any have all old machinery. But we know there has been no new mill since 1919. Therefore no mill has got absolutely new machinery.

Q. What I want to know is whether the advantage gained is 20 per cent. and whether it is equal to the loss on higher price of new machinery, 20 or 15 per cent. or whatever it is ?

A. I have answered that question.

Q. In answer to Question 59, you say that " there is a saving in the cost of production by the provision of humidifiers, more particularly in the weaving department, but it would be almost impossible to give a general estimate of its extent for India as a whole." Is it possible to give the extra cost of humidifiers in respect of one or two places, say Ahmedabad and Nagpur ?

A. It depends on the size of the mill, on the system of humidifiers, on the size of the looms and other things. You must take the true measurement of the building. Then you must take the wet and dry temperature of that room. You must then determine what percentage of humidity you want.

Q. For each station you naturally want a certain percentage. Suppose we take, for example, Nagpur. I presume there will be one temperature that you want and for that you can probably work out what the cost of humidifiers will be ?

A. No ; you must take the cubic measurement of each building and the quantity of air in that building, what amount of water you have to put in and so on. I can work out the figure for you if you give me the measurements of the various buildings.

A. *Mr. C. N. Wadia.*—I may point out that the humidity varies according to the time of day. If it is 85° in the morning and 70° in the afternoon, there is a drop of 15° of humidity between the two periods.

Q. What we want to find out is, what is the difference in cost ? What is, the additional cost of providing humidifiers ? Is it one of the factors which are very insignificant ?

A. *Mr. C. N. Wadia.*—It is a very small factor.

A. *Sir N. N. Wadia.*—It won't be very material for you.

Mr. Subba Rao.—On the question of humidifiers, have you seen the new system in Sholapur ?

A. No ; I have read about it.

Q. Do you adopt these humidifiers for the comfort of the workmen or for the sake of your work ?

A. Both. It lowers the temperature as well as gives you enough humidity. It is also for the comfort of the labourers.

Q. Does it make any difference whether you cool the air or spray the room with water so far as the health of the workmen is concerned ?

A. I think I would ask you to read the Report of our Secretary, Mr. Maloney, when he was in Government service. He has written a report on the subject.

Q. I have seen that. It is too technical for a layman to follow.

A. The Government of Bombay and the Government of India are taking action on the recommendations of that report.

Q. Would you care to give us your opinion on the relative merits of the spraying system and the system of cooling by water ; which system is more favourable for the workman ?

A. It all depends on the building. Each system is perfect in its own way. But if it is not adapted to the particular building, then it is no good.

Q. And the cost depends on the system and on the size of the factory. Taking your own typical factory for which you have given the estimates, what will be the cost of a suitable system ? In a typical mill of 40,000 spindles, it will cost one lakh on the basis of figures I have here.

A. *Sir N. N. Wadia.*—I will see what my figures are.

Q. A big gap between that figure and this before me here.

A. *Sir N. N. Wadia.*—I am not prepared to argue. I am giving the figure exactly as it is. Water comes out from a sort of jet. They will be naturally more expensive. But I do not know. I have never given an opinion on things I have never studied.

Q. I won't press the question further in that case.

Mr. Majmudar.—I have an impression that the Japanese are manufacturing looms ?

A. *Sir N. N. Wadia.*—I have heard so.

President.—They do manufacture looms to a certain extent but not spindles.

Mr. Majmudar.—Bobbins and shuttles also. Then, the cost of erecting a weaving shed would be lower in Japan than in India ?

A. *Sir N. N. Wadia.*—If they are making looms in their own country, it would cost them less, certainly.

Q. In regard to question 54, can you give us a rough percentage of the mills that are working economically, that are of a size, type and lay-out conducive to economical working ?

A. I do not think we can do that unless we go and examine each mill.

Q. You are in touch with Bombay mills, and you can give us a fair idea ?

A. I think you will find 75 per cent. of the mills have a good lay-out.

Q. In reply to question 55 you mention that " modern spinning mills making 20s yarn and working ten hours per day can manufacture 6¾ ozs. of yarn per spindle but there are mills in Bombay which are using old machinery and are not producing much more than 5½ ozs." You refer to 20s warp. Don't you ?

A. Yes.

Q. Have you actually worked out the difference in cost of production due to the interest and depreciation in regard to a new spindle as compared to high cost due to low production of an old one ?

A. No, I have not.

Q. Would the yarn that you produce from such a machinery be as good as the yarn produced from the old machinery ?

A. It depends on the rollers, in what condition they are.

Q. You don't think the production in the weaving department by the use of old spinning machinery would suffer ?

A. To a certain extent, if the rollers are not kept in good order.

Q. So, besides low production in the spinning department there will be low production in the weaving department also. To what extent will the production in the weaving department be affected ?

A. There are many conditions to be taken into account. It depends on the quality of cotton they use, the quality of weft they use, etc., and one cannot make a general statement of that nature.

Q. If we look to table 1, practically the expansion in spinning has not been much since 1893. Of the spindles existing in 1893, how many would you consider to be old machinery ?

A. I could not say. No one can without going into each mill.

Q. In the system of humidification for which you have given a quotation you do not change the air in the department every five or ten minutes ?

A. Fresh air is pumped in with the water. There is no want of fresh air.

Q. Could you tell me the quantity ?

A. I cannot say from memory. I will supply the figure afterwards.

President.—There is one point that we might possibly clear up before we go any further. I think Mr. Wadia stated that there was no duty on machinery in Japan. I hardly think that is borne out by the Japanese Year Book. I see here that there is a duty of 15 per cent. on looms and a duty of about 4½ per cent., as far as I can make out, on spinning machinery. I take it that this is the latest Year Book.

A. *Mr. C. N. Wadia.*—Yes, that is right, 4·15 per cent. I also made another incorrect statement, Sir, that outsiders could not hold shares in Japanese spinning companies. I remembered that they could not hold shares in the shipping companies and I thought the same rule applied to the spinning companies also, but I find that is not so. Spinning companies may have outside shareholders.

Q. Thank you. Mr Majmudar would, I think, like to ask a further question in regard to Question 55, as to the comparative benefit or disadvantage of the working of an old and a new spindle.

A. *Sir N. N. Wadia.*—Will you please explain to me ?

Mr. Majmudar.—According to your estimate I take Rs. 100 as the initial outlay per spindle. I put down 10 per cent. out of that for depreciation and interest. That means Rs. 10 a year.....

A. *Sir N. N. Wadia.*—Why interest ?

Q. For putting in the money.

A. That will be dividend, not interest.

Q. Well, I put it as interest. Supposing you do not put it in out of your reserves you have to borrow capital to that extent. Now, ten rupees would mean 1,920 pies and if we take 310 working days the interest and depreciation charges on a spindle per day works out to about 6·2 pies. Now, let us take the extra charge due to lower production. Roughly taking 30 pies as the cost of spinning one pound of 20s warp (it may be a little more or a little less) when the production is 6¾ ozs., at 5½ the cost amounts to 36·82 pies. There may be a little adjustment. Therefore the difference per pound of yarn.....

A. Will be 6·8 pies against 6·2.

Q. To spin a pound of 20s you require about 2·37 spindles and therefore it pays you to spin on old machinery in spite of the lower production.

A. But I made that qualification in my statement. If a mill is kept up to the mark. I said that.

Q. While calculating the total cost of production I do not think you will base your calculations on the cost of production of a spindle which is only giving 5½ ozs. of yarn?

A. What is the point ?

Q. When we come to the comparison of costs between Japanese and Bombay mills certainly you will not base yarn production costs on the production of 5½ ozs. per spindle but would work them out on the production of 6¾ ?

A. That is what we have done in our statement.

(*b*) *Raw Material*

President.—We now come to the question of raw material. I should be very much obliged to you, Sir Nusservanji, if you would explain to my fellow Members of the Board and also for my own benefit what your suggestions are under this head as regards improving the position of the mills. What we want to know is how exactly the position of the mills would be improved if there was one hedge contract instead of five. I do not think my colleagues know what a hedge contract is.

A. Well, Sir, you will understand it better than I suppose your colleagues because I had the pleasure and honour of sitting with you on the Indian Cotton Committee.

Now, the idea of a hedge contract is this. Let us take the spinner's position first. During the season between February and May or June he has to take in the whole of the year's consumption of his raw product. He must be able to sell yarn or cloth against it. The result is that he is practically running a risk all that time without any cover. Well, now, to obviate that risk in all well-known markets there are what they call hedge contracts, so that if a fall occurs in cotton you are not hit. Or suppose you sell yarn and cloth without covering cotton you can buy your hedge. The result is that when the market goes up you are not hit and you have a kind of protection against fluctuations of the market.

Raja Hari Kishan Kaul.—At certain times you buy on future markets. Against those futures you sell cloth at certain prices and then if you find that the price has gone up or down you sell your hedge contract to somebody else losing so much or gaining so much ?

A. That is covered by the price of the finished material, all the time. It is a kind of insurance.

A. *Mr. C. N. Wadia.*—You insure against a rise or fall in price.

A. *Sir N. N. Wadia.*—Suppose the market goes up when you have sold your hedge you will get better price for your cloth or yarn. On the other hand, suppose you have bought against your sales of cloth or yarn and the market goes down, you then make so much profit in the cotton hedge. That will cover you for the least drop in the price of cloth. For that purpose all the large centres like New York, Liverpool, etc., have one hedge contract of cotton. It is based on middling cotton with allowances for quality, for lower so much and higher so much, and you can hedge against that one contract. Having a wide hedge contract like that you know the cost at which you are able to tender yourself. Now that system we millowners have always advocated should be adopted

in the Bombay market. Unfortunately owing to various conflicting interests of the brokers, jaithawalas and commission houses here, when the Cotton Committee made their report and advocated one hedge contract they did not follow our recommendations exactly as we wanted but they instituted five hedge contracts. The five hedge contracts are Bengals, Oomras, C.P. Nos. 1 and 2, Southern, and one Broach contract and the result is there is always a variation between the various kinds of cotton and the result is that we do not get proper hedges. We have been urging from time to time on the East India Cotton Association to establish one hedge contract if they possibly can here. But as I said owing to the conflict of interests in that Association they are not able to carry it out. I speak in general terms.

Mr. Subba Rao.—In each case the field being narrower there may be a possibility of cornering. Is that the point ?

A. *Sir N. N. Wadia.*—That is right.

Q. What is the objection on the part of the Cotton Association to having one contract ?

A. They maintain that in the present conditions in India to fix the differences in the various grades of cotton is difficult. There are certain crops coming early in the year and certain later in the year and there are always differences and in my opinion they do not understand the primary object of a hedge contract and they are mixing up delivery contracts. That is where the whole misunderstanding has arisen. There have been corners. In fact there is more or less a corner every year occurring here. For instance we expect a corner in Oomras in January again. I would not be surprised if it took place this year. Then again there is another thing in Liverpool and New York which is very good. Those contracts are open for each month's deliveries 12 months ahead. Now here different contracts are open for two or three deliveries only. Take Oomras. You have got January-February, March-April and July-August. The same way with Broach ; you have got two positions April to May and July to August. That is the position and these various contracts being liable to cornering cannot be hedged in with safety as if there was only one contract.

President.—What is your suggestion, Sir Nusservanji ? Do you want one hedge contract for all the groups ? If you have one you cannot call it Broach ?

A. Call it East Indian cotton or anything you like. There is nothing in the name.

Q. If we were to accept the suggestion what steps would have to be taken to ensure it being carried out ?

A. No step is necessary. If the East India Cotton Association passes this rule and makes one hedge contract for delivery every month there will be no necessity.

Q. I understand that. If they are willing to do so, well and good. But if they are not willing to do it what steps can be taken to make them do it ? If we were to decide that in the interests of the mill industry it should be done what steps will Government have to take to ensure its being done ?

A. As you know, the present East India Cotton Association was formed under an Act of the Government of Bombay. The Bombay Government have reserved to themselves the right of approving bye-laws proposed by the East India Cotton Association. If therefore a strong recommendation goes to them the Bombay Government might be induced to put pressure on the East India Cotton Association to alter their bye-laws to make one hedge contract possible. I think our Secretary has given you all the correspondence that our Association had with them.

Q. Yes, we have copies of the correspondence which is published in your annual reports.

A. *Mr. C. N. Wadia.*—I think it will be very useful for you to hear the East India Cotton Association on this.

Q. We shall certainly make a point of examining them.

Q. If there is one hedge contract it will greatly improve the stability of the mills ?

A. *Sir N. N. Wadia.*—I won't say the stability but it will reduce speculation.

Q. You say you don't consider that the present depression in the industry can be attributed to the purchase of cotton at prices higher than are prevailing now ? I would like you to amplify that point a little. It seems to me that if you bought cotton at prices higher than now ruling that must be reflected in your profit and loss account ?

A. If we have not had any hedges or any sales against it.

Q. But have you been able to hedge ?

A. Even now to a certain extent.

Q. Not the extent that you like to ?
A. No. In narrow contracts we run certain risks which you do not run on wider contracts

Q. Is it the practice of the mills to hedge ?
A. All good mills as far as I know hedge.

Q. You say that it is the general practice for the mills to hedge in cotton and therefore they have not suffered particularly through the continued fall in the price of cottoni n the last year ?
A. I cannot speak of other mills. I can speak of my own mills.

Q. Do you, gentlemen, agree as far as your mills are concerned ?
A. *Mr. Saklatwala*—That is the practice, Sir.

Q. It is the practice of all the gentlemen who are here to-day ?
A. Yes.

Q. Do you consider that this single hedge contract would remove the element of speculation in the purchase of cotton as far as it is humanly possible to do so ?
A. *Sir N. N. Wadia.*—To a great extent.

Raja Hari Kishan Kaul.—In reply to Question 62 you say : " The Association does not think that cotton is purchased by Indian mills at prices higher than those paid for cotton for export ". If the exporters buy in the up-country markets while you buy at Bombay do you not.....
A. *Sir N. N. Wadia.*—We buy up-country ; most of the good mills buy up-country also.

Q. But a large number of mills buy only in Bombay ?
A. Yes.

Q. They have to pay more ?
A. But that is nothing. It would only make a difference of ½ per cent. in middlemen's, profits. The price of cotton varies on the average Rs. 5 or Rs. 10 this way or that way and on the other hand they avoid interest charges. The mills that buy from hand to mouth avoid interest charges. They have got that in their favour. They may not get the qualities owing to the shortage of suitable cotton in India.

Q. Therefore those who buy here probably have to pay higher prices as well as get shorter staple ?
A. I do not think they pay higher prices. There might be a small difference. That is all.
A. *Mr. C. N. Wadia.*—Exporters buy just as much in Bombay.

Q. They keep buying agents and buy direct from the suppliers ?
A. *Mr. C. N. Wadia.*—Take a firm like Rallis. They buy just as much in Bombay as up-country because after all they are only middlemen between Bombay and the importers and therefore if they don't get cotton up-country they have to buy in Bombay.

Q. Just to make up the deficiency ?
A. Even the big firms buy in Bombay in large quantities. It depends on the quality of cotton required on the Continent. Now take the case of a firm A which has not got an agency in the Punjab. It gets an order for Punjab-Americans. It buys it in Bombay from some other firms. It is not necessary that every firm should have a branch agency in all the up-country centres.

Q. But these big exporting firms like Ralli Brothers have got branches in almost all the up-country centres ?
A. *Sir N. N. Wadia.*—Not necessarily, Sir. They have got them in a good many places but not in all places.

Q. Question 63 is :—To what extent can the present depression in the industry be attributed to the purchase of cotton at prices higher than those now prevailing ? The prices of cotton have been coming down continuously. So the mill that has purchased cotton six or eight months ago cannot afford to sell cloth at prices which another mill which has bought the cotton later at a cheaper price can ?
A. As I replied to the President just now that mill might have hedged as we do ourselves, and then this works out in the long run. One year the prices may decline and next year the prices may go up.

Q. I am talking of what is actually happening.
A. Depression has nothing to do with it. When we talk of depression or no profits to-day we take the market price of cotton to-day and the price of cloth to-day and work out the margin on that basis.

Q. But dealing with individual mills, if a mill purchased cotton six or eight months ago it has been paying interest on the money and also it had paid a higher price. So it cannot afford to sell cloth at such rates as another mill which bought cotton at very much cheaper rates last month ?

A. If it had hedged it does not make any loss.

Q. But if it has not ?

A. Then it must take the consequences.

Q. You say hedging is an impossibility to any considerable extent ?

A. Safe hedging. We do hedge under the present circumstances but it is not very satisfactory. We want a more satisfactory system as I explained before.

Mr. Subba Rao.—There is only one question I should like to ask and it is about a statement made in a paper. It is that the agents of Japanese mills purchase cotton in this country on the spot while the cotton used in Indian mills passes through a number of hands before it reaches the mill godown. Is that true to any extent ?

A. I do not think, Sir, that it is correct, because the Japanese do not purchase all their requirements of cotton on the spot. They purchase largely in Bombay as they do in up-country districts and I do not think they get any advantage over us.

Q. You qualify by saying "good mills".

A. You asked for two classifications of mills and you have been asking for two classes of mills.

A. *Mr. Geddis.*—But after all the Japanese who are buying here are buying as middlemen for the Japanese mills. Therefore you have to put their charge of commission against the middlemen's profits in Bombay.

A. *Sir N. N. Wadia.*—They can't run their Bombay office for nothing.

Mr. Subba Rao.—Is it true that cotton passes through a number of hands before it reaches the mills ?

A. I do not think so, Sir. That is an inspired article. That was given in the Japanese reply.

Q. No, Mr. Kanekar of the Servants of India Society wrote it. He is not a Japanese agent.

Q. It passes through two or three hands ?

A. Sometimes.

Mr. Majmudar.—What percentage of the Bombay mills are buying cotton in the districts ?

A. I am not able to tell you.

Q. You say that cotton is purchased in the districts by buying agencies. Do these firms purchase cotton on account of the mills or do they make contracts with the mills for the supply of cotton ?

A. In my case I purchase on my own account.

Q. That I believe is the general practice ?

A. I believe so.

Q. Japan has been making more and more purchases in the districts during the last two or three years. Is that impression correct ?

A. I do not think so

A. *Mr. Geddis.*—We have no facts or figures on this subject.

(c) *Labour*

President.—We now come to a very important section of our questionnaire, the one dealing with labour. The first question which naturally arises is out of the statement in the Currency Commission's report that you all, I am sure, know by heart.

A. *Sir N. N. Wadia.*—No. Sir, we have had no time to study it well.

Q. What I was about to say was this. The figures supplied to the Currency Commission by the Bombay Millowners' Association were to the effect that the present index figure of the wages of mill hands is 231 whereas the index numbers of wholesale prices, retail food prices and cost of living were only 150 and 153 respectively indicating either that the pre-war rate of wages was too low or that the present rate is excessive. Which of these alternative views does your Association accept ?

A. Well, Sir, we have to face labour in future. So, I would rather make no statement on this point now. We have our difficulties with labour. We shall have some more difficulties with labour and I do not think it is fair to ask us that question.

We may have trouble later on to face. The figures are there. It is for you to come to conclusions, Sir.

Q. I quite appreciate the delicacy of your position but it would have been of advantage to us if we could have had a definite opinion.

A. In fact we have given you a statement showing how wages have increased in Appendix III on page 36.

Q. The only adjustment of wages since 1920 has been the abolition of the bonuses ?

A. That is all. But we are manufacturers, and I am speaking on behalf of my colleagues, we do not understand the economic relation between index prices and variations. We placed the facts before you. A blow room tenter in the old days used to get Rs. 12. He is now getting Rs. 29. A Card Room man is getting Rs. 27 whereas he got before only Rs. 9. We have given you the bare facts as they exist.

Q. You agree at any rate that the increase in the cost of labour has been the most important item in the increase in your costs of production ?

A. Quite true.

Q. And therefore this question of the adequacy or otherwise of the present rates of wages is a most important one for us to examine ?

A. Yes.

Q. In your answer to Question 66, you say that " by reducing the working hours from 12 to 10 per day, the production of spinning mills has gone down by about 16 per cent. and weaving mills by about 10-12 per cent." That is an absolutely mathematical proportion. As regards spinning I should like to draw your attention to the figures in the Millowners' Association Report for 1924 which show that though this change was brought about in January 1920, the production of pounds of yarn produced per spindle actually showed an increase on that of the previous year 1919. The exact figures were 101·90 pounds per spindle in 1920 and 101·72 pounds in 1919.

A. *Mr. Geddis.*—There were two strikes in 1919, one at the beginning of the year and the other at the end.

A. *Mr. Mody.*—There was also a strike in the first week of January 1920 that lasted for two months.

A. *Sir N. N. Wadia.*—I do not think, Sir, you can take the yearly figures as correct, with strikes and holidays. I can give you my own experience. When we were working 12 hours a day, our production of 20s was 8·20 ozs. per spindle. Now we are working 10 hours a day and our production is 6¾ ozs. Now you can work out your figures accordingly. This is the day to day average and will give you a better idea than anything else. It works out exactly as far as spinning is concerned in good mills.

Q. Would you say the same of 1919 ?

A. There may be difference in counts and in the number of days of work. All these factors come in. I give you these figures with regard to a particular count and working on a daily programme.

Q. You cannot deduce from these figures anything like a 16⅔ per cent. reduction.

A. This is the result obtained from day to day production. I can give you my daily production figures for the last ten years and you can judge for yourself. The reduction is from 8·20 to 6·75.

Q. As regards weaving, the result appears to be that the reduction in working hours has resulted in a slight increase in the efficiency of the individual weaver ?

A. That is what we find, yes. That is quite correct, Sir.

Q. Has it been your experience, that there has been no increase in the efficiency of the individual spinner, for instance, less breakages, etc., than there used to be ?

A. It all depends on the cotton you use. The spinner does not want breakages. If you give him good cotton, he will prefer to sit down himself and let the spinning do itself.

Q. My point is that if his hours of labour are reduced, he might be more alert in mending the breakages when they do occur.

A. *Mr. C. N. Wadia.*—The efficiency of the spinning machinery is over 90 per cent. either for 12 or for 10 hours, because there is no room for any great improvement. On the other hand, when the weavers work 12 hours, their efficiency is only about 70 per cent. or a little over it. By working 10 hours and their pay being entirely dependent on the work they turn out, they gradually manage to improve that efficiency from 75 to 80 per cent. and that is why there was considerable room in the weaver's work for improvement. There was no room in the spinner's work for improvement. That is why the spinner has not improved while the weaver has. Perhaps that is clear to you.

Q. Quite clear. Your reply to Question 67 seems to throw a good deal of light on the efficiency of the Japanese operative. You say that the number of ring spindles per competent spinner is 160 to 180. The figures we have for Japan show that in Japan there are 240 spindles for each spinner and they have 2½ looms for a competent weaver against 2 looms for India. That was in 1921. They work one side and a half. The question arises why that cannot be done in India.

A. *Sir N. N. Wadia.*—It cannot be done, Sir. The labour is not efficient enough for that purpose in India.

Q. Is there any hope of making it sufficiently efficient?

A. Education and perhaps better stamina will make it efficient. It is a remarkable thing that I have observed that a boy up to 14 is smart, intelligent and up to the mark; but the moment he gets married, say in a year, he collapses and he becomes absolutely inefficient in another 12 months.

Q. That makes the outlook rather dismal, if there is no hope of the Indian operative ever being as efficient as the Japanese.

A. I suppose that with education, change in the habits of marriage and other changes, there may be an improvement in course of time.

Q. Are spinners and weavers paid by piece-work?

A. Spinners are paid fixed wages.

Q. Would not a proportionate increase in wages induce the man to look after a side and half?

A. No; he cannot.

Mr. Majmudar.—The wages of a spinner in Japan as given by Mr. Maloney is 1·13 yen and converting it to rupees at 130, it comes to Rs. 1-7-6, whereas in Bombay it is Rs. 1-0-4, as given by the Labour Office. The number of ring spindles per competent spinner in Japan is 240 whereas in Bombay it is 160. One spinner works 50 per cent. more spindles in Japan than in Bombay and therefore the cost of working 240 spindles work out to Rs. 1-8-6 in Bombay as against Rs. 1-7-6 in Japan. Moreover, the production per spindle of 20s yarn in Japan is ·429 lbs. that is, 6·84 ozs. against 6·75 ozs. in Bombay. Therefore the cost in Bombay comes to Rs. 1-9-0. Then we come to weaving. The wages of a weaver in Japan are ·99 as per figure given by Mr. Maloney yesterday. At Rs. 130 it works out to Rs. 1-4-7. The rate per weaver in Bombay is Rs. 1-11-3. The production per weaver in Bombay for manufacturing three yards sheeting cloth is 98 yards against 145 yards in Japan. The cost of producing this 145 yards in weaver's wages in Bombay comes to Rs. 2-8-10 against Rs. 1-4-7 in Japan. Practically the cost due to weaver's wages in Bombay works out to double that in Japan; this is according to the figures given in the U.S.A. Tariff Commission Report.

A. *Sir N. N. Wadia.*—There may be variations. They may take into account the daily production of weavers.

Q. I think they have taken the production of an average number of mills.

A. So what is the conclusion you draw from that?

President.—The conclusion to be drawn from it would seem to be that it is your cost of labour which is the factor in production which handicaps you most.

A. Will you please bring this fact to the notice of our friends, Mr. Joshi and Sir B. N. Mitra, Member of Industries, and ask them to recognise that fact when the Government brings forward legislation after legislation. These facts are conveniently forgotten by the Government of India when it suits their purpose.

Q. I am not in a position to say at this stage what we will recommend.

A. I am very glad, Sir, you have brought out this fact yourself.

Q. This is merely preliminary. Later on when we get the detailed costs of production we shall be able to examine this question more carefully. Meanwhile if you would have another look at this statement and give it careful consideration before you come up again, it would be helpful.

A *Mr. C. N. Wadia.*—I understand there is a Bill on the anvil at this stage at Simla regarding the payment of monthly wages.

A. *Sir N. N. Wadia.*—Every year two or three new pieces of legislation are forced on us. When we are on this subject of labour, may I ask, Sir, whether in Simla or anywhere else the house servants are paid before the 15th of the month? Sir B. N. Mitra, the Member for Industries, wants us to pay the wages within seven days. We have to prepare our accounts of piece-work and every thing else and here even with fixed wages for house servants, they do not pay them before the 15th. Now the Government wants to introduce this legislation. It is not the only legislation. Every year one or two pieces of legislation

are brought to us and we are handicapped. We are sick of this factory legislation. They want legislation to see whether there is pure air or bad air, whether we are giving pure water or whether the man is or is not ill, whether he injures his finger rightly or wrongly; every day some piece of legislation comes in and we are hampered by this legislation in carrying on our legitimate work.

Q. Your protest on this subject will now be very fully on record. One small point as regards the number of operatives per thousand spindles. When you say that the number is 33 which is the average of 7 spinning mills in Bombay, you are referring to purely spinning mills with no weaving department?

A. *Mr. Maloney.*—Yes. It is very difficult to separate the actual spinning department in other mills.

Q. It would be less in mills which have both spinning and weaving?

A. Yes, because of the absence of reeling.

Q. With regard to the answer to Question 70, where are the figures from?

A. If the Government of India wanted to be helpful to us why cannot they appoint a body like the American Tariff Commission and why should be depend on American reports to find our facts?

Q. I rather gather that you yourselves would be somewhat dubious as to the extent to which we could use the information.

With regard to this question of absenteeism in Bombay and Ahmedabad, Question 71, how far does absenteeism affect the comparative efficiency of labour in Ahmedabad and Bombay?

A. The figures were taken from the Labour Gazette.

Q. Yes; do they mean that you get higher efficiency in Ahmedabad?

A. I do not think it affects efficiency. But I do think that we have to maintain a larger number of hands to make up for the absenteeism.

Q. I am not quite clear. Does it cost you any more in wages? Is your labour cost any the more because of the higher percentage of absenteeism?

A. Yes. If like England we can depend on our labour turning up day after day, then I certainly think we can easily reduce our number of men on the muster by 6 or 7 per cent.

Q. Will the reduction of the number of men on the muster roll bring about an automatic reduction in the wages bill?

A. Of course; because some days we have overflowing attendance.

Q. But you only pay people who are actually there.

A. We employ so many extra hands to allow for the absenteeism. So there may be an overflowing attendance on some days when all are present, and we have to pay those hands extra, although they are not actually required.

Q. Does that mean that you employ about 8 per cent. more than you need. Does it mean that if you could reduce the percentage of absenteeism to the same figure as that of Ahmedabad, you would be able to reduce your number of hands by 8 per cent.?

A. Yes; nearly, I think so; quite easily.

A. *Mr. C. N. Wadia.*—We employ now 10 or 12 per cent. more hands than we need simply to compensate us for the absenteeism.

Q. That is a very serious matter?

A. A very serious matter and this absentee figure has considerably increased since the wages were increased in 1920. Every increase in wages is followed by greater absenteeism.

Q. Have you got figures showing the absenteeism?

A. *Mr. Geddis.*—I would like to point out that these figures in the Labour Gazette are not accurate for this reason that in their returns when a budli comes in the man is marked present for the day.

Q. What is meant exactly by budli labour?

A. If a weaver is absent and another man takes his place, he is called a budli. In the mill statement the original man is not present and in the Labour Gazette figures it is shown all along that that weaver is present and the absenteeism is really very much greater than the figures show.

Q. I should like to go into that in a little more detail. You have no idea how matters stand in Ahmedabad in this respect?

A. The Labour Office figures might have been got in the same way. I have no idea of the absenteeism there.

Q. I think, Mr. Wadia said that you employ 10 to 12 per cent. more than you need? Your absenteeism is 12 per cent. If you employ this 10 per cent. extra, I do not quite understand how your absenteeism can be as high as 12 per cent. Does it mean that it is really 22 per cent. that are absent every day ?

A. *Mr. Geddis.*—Mr. Wadia was referring more to the spinning side and what I was referring to was more to the weaving side.

A. *Mr. C. N. Wadia.*—I have taken the figures for the number of hands that put in a full working month. If there are 25 working days it is not 40 per cent. of them that put in a full working month.

A. *Mr. Mody.*—Accurate figures are being prepared for July.

A. *Mr. Geddis.*—They are taken on a different basis from that of the Labour Gazette. But the new figures of the Labour Department are being taken on this basis.

A. *Mr. Mody.*—The Labour Office are preparing more accurate figures and they have altered the whole basis. July has been taken as the basis and about 19 mills have been asked to submit returns on specified forms supplied to them by the Labour Office itself and I think the result will be out in about three months.

Q. Any way, is it the case that the figure of 11·13 per cent. of absenteeism for June 1926 is an unduly favourable figure owing to this fact that when a man is absent and a substitute is working for him, he is counted as present.

A. *Mr. Geddis.*—The basis of the Labour Office is wrong.

Q. Before we finish our enquiry we may have more accurate figures.
I take it that you are not in a position to suggest any remedy in regard to this important question of absenteeism ?

A. *Sir N. N. Wadia.*—I wish, Sir, you would tell Mr. Joshi what disadvantages we are labouring under and there is another side to the picture always. I think that more than anybody else the Millowners' Association members themselves would very much like to see labour improved so that they can have more efficient labour. Nobody would grudge a man making good wages. But handicapped as we are, as we have shown, at every stage, we are not as black as we are painted at times by Mr. Joshi and Company especially in the Legislative Assembly.

Q. Mr. Joshi is coming before us and we will ask him how he proposes to reduce absenteeism.

A. But he must remember, Sir, the men absent themselves without giving any previous notice and without giving any reason too, and nothing is done to him. But if we turn out a man, we are at once dragged into the Small Cause Court straightaway.

Q. Is it the same thing with regard to continuity of labour supply ? Do exactly the same arguments and conclusions apply there ? You are no more able to secure continuous supply than you are to avoid absenteeism ?

A. Yes ; that is right. Further the men go away to their villages without giving us any notice ; and if we want to turn a man out for inefficiency or for bad work, we have to give him notice.

Raja Hari Kishan Kaul.—Why do they go away ?

A. When the ground is to be tilled or for a marriage ceremony. Sometimes they go away without any reason. We get no notice ; we come to know that the man is absent and that is all.

Q. They do not go for any permanent avocation. They come back ?

A. Yes.

A. *Mr. C. N. Wadia.*—Another thing, Sir. They go on strike here without notice and we have to pay them not only for the days of absence but as if they had not gone on strike. In England they have to give notice or they forfeit their wages. Here they go on strike on the slightest pretext. If some one is sacked for inefficiency, out go 34 men after him.

Q. Or they go home sick ?

A. *Sir N. N. Wadia.*—No ; no. Suppose we sack a jobber in a weaving establishment for not turning out good work, out go about 40 or 50 men with him.

President.—We now come to the question of housing. We have not yet seen the Government chawls but we hope to do so before we finish our enquiry.

A. When you do see the Government chawls, I would recommend two things. First and foremost, please enquire under what promises the Government chawls were inaugurated. Find out, Sir, whether they were not inaugurated on the distinct promise that the economic rent charged for the mill hands should not exceed 5-8-0 per room.

Q. Are you in a position to show us the authority to that statement ?
A. Yes ; we are ; the Governor's own speech in the local Legislative Council. I will send you a copy of that. Then, Sir, they told us that these rooms would cost Rs. 1,100 per room and finding that it would not be possible even at the rate of Rs. 1,100 per room, to charge an economic rent of Rs. 5-8-0, they put on us the cotton cess or cotton duty of Re. 1 per bale. What is the result ? When they actually built these chawls, instead of Rs. 1,100 the cost had gone up to Rs. 2,200 per room. Instead of enquiring into the reason why the cost had gone up, they went on building until they completed 16,000 tenements.

Q. How many of those tenements are occupied now ?
A. About 25 per cent.

Q. What rent is being charged now ?
A. *Mr. Mody.*—The rent has been reduced on two or three occasions and the latest reduction works out at the lowest to Rs. 5-8-0. The economic rent of these chawls was stated to be Rs. 13 per room. When the first reduction was brought about, the chawls were rented at Rs. 9-8-0 per room. Now the rents have been further reduced and in spite of that the whole chawls are lying vacant.

A. *Sir N. N. Wadia.*—The joke of the whole thing is that the mill-hands are asked to enter into an agreement with the Secretary of State for India when they take up the room It is the finest joke that I have ever experienced in my life—an agreement on a stamped paper of annas 8 for the labourer to enter into with the Secretary of State for India !

Q. That is not uncommon. I have myself signed many such agreements on behalf of the Secretary of State.
A. But not with the labouring classes.

Q. Some of them were, I think.
A. I think they are frightened when they see the agreement.

Q. I noticed that in your Report for 1925 you said that some mills were putting up further chawls of their own. Has there been progress to any considerable extent since last year's Report ?
A. We have given you a full statement on page 37.

Q. What I want to know is, are there any chawls now in process of erection ?
A. Not to my knowledge.

A. *Mr. C. N. Wadia.*—We that put up the chawls are in an anomalous position. Not only have we to pay for the working people but we have to pay for the Government scheme as well.

Q. You two, Sir N. N. Wadia and Mr. Wadia, seem to be among the worst sufferers in that respect as far as I can make out from this statement, in having put up chawls at an uneconomic rent.
A. *Sir N. N. Wadia.*—But, Sir, I go further. What we complain about is this : not only do we let them to the labourers but they take in sub-tenants.

Q. Do you suggest that most of the other chawls, except those to which you have referred, are receiving an economic rent from the workmen ?
A. *Mr. Mody.*—No ; I do not. All I meant was that the Century and the Bombay Dyeing Mills are amongst the mills which have provided a number of chawls for their work people ; and the statement was that some of the mills were in the unfortunate position of having provided a large number of chawls at an uneconomic rent and also having to pay the town duty of Re. 1 per bale.

A. *Sir N. N. Wadia.*—That is quite true. But if you see that statement again you will find that the number of rooms that are vacant in our chawls compared with the number in Government chawls is marvellous. There are very few vacancies.

Q. There is a small point in regard to Question 76. Do the mills insist on all their apprentices taking a course in the Victoria Jubilee Technical Institute ?
A. Nobody insists, Sir.

Q. How many apprentices are there in the ordinary mill ? How many apprentices have you got in your mill at present ?
A. I cannot say off hand. But I should think about twenty.

Q. You must have a great many applications for apprenticeships in your mill. Would it not be a good thing to make it a condition of apprentices being taken that they should take a course in the Victoria Jubilee Technical Institute ?
A. I do not know whether that can be enforced, whether in the present condition of literacy of these apprentices, that can be enforced. I am doubtful about that.

Q. Would it not be a good thing to try to combine the two ?
A. We have ourselves approached the Victoria Jubilee Technical Institute, as you will see from the answer, and they have provided special classes for theoretical instruction in spinning and weaving for mill apprentices.

Q. You say, in answer to Question 78, that the operatives have not improved their standard of living though they spend more money. What do they spend it on ?
A. It is hardly necessary to say, I think.

Mr. Majmudar.—What are the rents in the neighbourhood of the chawls ?
A. In some cases Rs. 10 to 15 ; but they are very over-crowded.

Q. So the other people have to pay higher rents ?
A. Yes.

Q. Do you consider that there is any likelihood of Bombay securing a permanent factory population and so avoiding the floating population which gives you much trouble ?
A. Not, according to our experience, at an early date.

Q. What are the factors which prevent it ?
A. I have given them. They go away when they like and they come in when they like. They please themselves.

Q. Due to the rival competition of agriculture, I suppose, to put it shortly ?
A. Yes.

Q. We now come to the question of double shifts which is one of the points on which you lay great stress. I take it that you do not regard the mere fact that the Japanese work double shifts as unfair competition.
A. They could not work double shifts if they stop women labour at night.

Q. Why ? Because their proportion of female labour is so high ?
A. Yes. If they had a Factory Act similar to what we have, they cannot do that. According to our Factory Act, we cannot employ women and children between 7 p.m. and 5 a.m. If they do not employ women at night, it will be impossible for them to work double shifts and the result is we cannot compete on fair terms.

Q. But do you consider that the actual enforcement of the amended Japanese Factory Act will remove this difficulty ?
A. Not one whit.

Q. How are they going to work double shifts then ?
A. They can work from 5 a.m. to 11 p.m. There can be two shifts of eight hours each.

Q. Against your one shift of ten hours ? That will reduce their ability to compete to a large extent.
A. It may help us to some extent. But still they will be able to work double shifts.

Q. But it can hardly be called unfair competition ?
A. Ask them to work under the same Factory Act as we have.

Q. Every nation has a right to have its own Factory Act, subject to any International agreement.
A. You introduced the Factory Act here on humanitarian grounds. Do not let us get away from that point. The Government of India have always pleaded that they introduced this Factory Act on humanitarian grounds. They cannot get away from that.

Q. That is not the immediate point. The immediate point is whether you can hold that the amended Japanese Factory Act is open to these objections on humanitarian grounds, if you have the eight hours shift.
A. Yes. On humanitarian grounds it is objected to because women labour should not be employed during night time.

Q. Do you consider it objectionable on humanitarian grounds that women should be employed for eight hours a day ? Under the Indian Factory Act you are permitted to employ them for ten hours.
A. During the day time, Sir.

Q. In Japan it would be from 2 to 10 p.m.
A. It is 11 p.m., Sir.

Q. But normally it would be 10 p.m. What is the latest hour you consider a woman should work up to ?
A. What are the hours of night time, Sir ?

A. *Mr. Mody.*—What are the hours fixed by the International Convention ?

Q. Did they fix any hour ?

Mr. Saklatwala.—That is the point. By having women labour up to 11 in the night, they are contravening the Convention to which they were signatories.

Q. What are the hours fixed by the Washington Convention ?

A. I cannot remember the exact figures. But I do not think they will go up to 11 in the night.

Q. The whole point is what is the definition of night time.

A. *Sir N. N. Wadia.*—What we say, Sir, is, give us laws like other countries. Do not tie our hands behind our backs and say that we are to work under these conditions. That is what we are suffering from.

Q. With regard to Q. 83, I take it that 1920 in your answer is a mistake for 1922 ?

A. *Mr. Maloney.*—Yes.

Q. You say that the most conspicuous instance of legislation which has increased the cost of production is afforded by the Indian Factories Act, 1922. But were not the changes in hours introduced in 1920 by you before the legislation was passed ?

A. *Sir N. N. Wadia.*—We reduced the hours to ten.

Q. Then how can you regard this as the most conspicuous instance of legislation when it has merely continued the existing practice ?

A. I should like you to study the Act, Sir.

Q. You only refer to the reduction in hours. You do not refer to any other feature in the Act ?

A. It is worthwhile reading the Act.

Q. It would seem your business to state which other features the Act affected you. As regards this reduction of hours from 12 to 10, I cannot see how you can blame the Act which merely brought into force, at your request, all over India a practice which had already been in force in your mills for two years.

A. We anticipated the Act and put ourselves in line with it.

Q. If you anticipated the Act instead of opposing it, I do not quite see what grievance you have.

A. *Mr. Saklatwala.*—It was a voluntary act on our part to reduce the hours from 12 to 10. But we all along knew that the Government was pressing for the change and in our representation to the Government we distinctly mentioned that we were bringing out this change on the supposition that Japan too was going to fall in line with us. But it has not done so.

Q. The point is that you would not have been in such a hurry if you had not what you considered good reason to anticipate that Japan would follow your example ?

A. Certainly; and we have made that clear in our representation to the Government that it would not pay us to reduce the hours of labour and that we would not be doing it had we not the assurance that Japan would fall into line with us. But that has not come about for the last 6 or 7 years. We have said time and again that it was on the distinct understanding that later on the Washington Conference ruling would be brought into effect.

Q. The position seems to be that under the International Draft Labour Convention, women cannot be employed at night, the night interval being 10 p.m. to 5 a.m. In those countries where no Government regulation has yet been passed regarding the employment of women in industrial undertakings during night, the term 'night', for a maximum period of three years, is to be declared by the Government to signify a period of 10 hours. I think the best plan will be to look up this point in more detail and discuss it tomorrow.

A. *Mr. Saklatwala.*—The same point was made by Sir Charles Innes during his interview.

A. *Mr. Mody.*—To corroborate Mr. Saklatwala's point, I would refer you to the Association Report for the year 1919 and I would read out a paragraph. "The Committee were therefore of opinion that unless all countries including China and Japan joined the Conference at Washington and agreed to introduce a shorter working day, the Indian mills should not be asked to take any action in that direction. If, however, all countries were anxious to join the said conference in order to bring about the desired results, they believe all Indian mills would be glad to fall in line with the movement; but they would urge that the peculiar conditions of the Indian labour and the climatic conditions of this country should thoroughly be considered before any recommendation was made."

A. *Mr. Saklatwala.*—I note from the correspondence which the Association had with the Collector of Bombay that the Committee made it quite clear that in agreeing to the amendment to the Factory Act regarding hours of work, employment of women and children at night, the Committee fully expected all the other Asiatic countries to fall in line. It was on that understanding that we anticipated the Government legislation.

Q. The point now at issue is exactly what the definition of night work is in the Washington Convention and the Conventions drawn up by the International Labour Office.

A. *Sir N. N. Wadia.*—What you mentioned was for a period of three years. These three years have elapsed and even now the new Factory Act which they are boasting about so much and which they say is going to cause reform is not going to come into force until 30th June 1929 at the earliest.

Q. The amended Factory Act has come into force. You mean those provisions have not come into force ?

A. Yes. In fact, they said, not till 1931. Perhaps they may postpone it till Doomsday.

Q. I referred you yesterday to the statement of the Japanese Cotton Spinners' Association that all their mills are now working ten hours a day ?

A. We gave you an authoritative statement showing.

Q. Theirs is apparently the most recent information.

A. This was in 1925.

A. *Mr. Maloney.*—In 1926 Sir Charles Innes made the statement which we have submitted.

Q. You will receive a copy of the representation of the Japan Cotton Spinners' Association.

A. *Sir N. N. Wadia.*—I suppose you have seen the correspondence which took place in "Capital." Some allegations were made then and they gave the names of the mills and we contradicted them as regards those very mills and we have not had a reply to those remarks yet, Sir. I think we referred to that in our original statement.

Q. The next question which arises is exactly what it means to them, working of double shifts. You have given some information in paragraph 129. Do you work it out at 5 per cent. ?

A. 10 per cent. difference. But 5 per cent. on the whole production.

Q. You yourself have had some experience of double shift working Sir Nusservanji. Did you keep any record of it ?

A. I have worked two shifts of eight hours, not ten hours.

Q. That is what the Japanese will have to do.

A. No ; they are going to ten hours till 1929 at least.

Q. Under this amended Factory Act, they can only work eight hours.

A. I am doubtful whether it will ever be brought into force. We will see when it comes. We were waiting for that Act for the last six years and more and it is to come into force three years hence, and God knows what will happen three years hence.

Q. Allowing for two shifts of eight hours, there will not be very much in it, I think.

A. There will be.

Q. It will be only 2½ or 3 per cent.

A. No. My experience was that when I worked two shifts of eight hours, I paid them the wages for ten hours, because I could not do it in any other way. We could save ¾ anna a pound.

Q. At the present price what percentage is it ?

A. Over five per cent. That was ten hours wages for eight hours, but if they pay eight hours wages then it will be much more.

Q. You have made a point of the increase in taxes sending up the cost of production. But according to the statement of costs on page 27 of your original representation the increase is only less than one pie a pound ?

A. You see the proviso at the bottom.

Q. Even so it is only about 1½ pies a pound. Even including the cotton cess and the town duty on cotton the increase in local taxation works out at only 1½ pies.

A. Sometimes we look at ¾ths when we are doing business !

Q. That is another illustration of your argument that every little helps.
Before the Workmen's Compensation Act came into force had any mills had any voluntary system of compensation ?
A. Most mills I think, Sir.

Q. I was for a short period Commissioner of Labour in Madras where I had to work the Workmen's Compensation Act and I was then told that some factories found it a less expensive arrangement than the one they had previously in force. The compulsory compensation they were paying was less than what they were paying voluntarily.
A. *Mr. Saklatwala.*—It is everywhere, so, Sir. In cases of minor accidents the mills paid more liberally but in case of actual death or total disablement the Compensation Act provides more than what we paid in certain cases.

Q. On the whole you cannot say that the Workmen's Compensation Act has increased the cost of production of the good mills ?
A. It was voluntary before ; now it is compulsory.

A. *Sir N. N. Wadia.*—In the one case you give out of charity ; in the other you are made to give at the point of the pistol.

Q. The force of that I entirely realise, but it does not mean that your cost of production has really gone up ?
A. *Mr. Saklatwala.*—It is not a very big burden, Sir. We don't grudge it.

A. *Sir N. N. Wadia.*—Speaking about increased taxation I would like to call attention to the fact that the 1924 figures do not take into account the increased charges in water which the Municipality has made. I want to make that correction. That has gone up too, about 33⅓ per cent.

Q. A much more important item than any of the other items you mentioned, I should think.
Raja Hari Kishan Kaul.—As regards these figures for absenteeism, you say you do not keep separate figures for males and females. Generally speaking is absenteeism longer among females than among males ?

President.—Is absenteeism more rife amongst women than amongst men ?
A. *Sir N. N. Wadia.*—I cannot say, Sir. I think it will be the other way about, but I cannot make a statement.

A. *Mr. Saklatwala.*—It is, Sir, the other way. Females are absent for shorter periods than males. They do not drink so much.

Raja Hari Kishan Kaul.—As regards houses, do you think the workman and his family feel at home in the chawls, particularly in the Government chawls that are built ? Do you think that they are suitable for residence by people coming from the country side ?
A. *Sir N. N. Wadia.*—They are better than in their country.

Q. It is much more expensive here ?
A. But much better than in the country.

Q. They get much less fresh air. You think they feel at home in these chawls ?
A. That is more than I can say.

A. *Mr. Mody.*—Any way they are better than the filthy houses in which they live ordinarily in towns.

Q. They do not come from towns.
A. *Mr. Mody.*—In those cases in which they do not live in mill chawls they live in the town as far as Bombay mill labour is concerned.

Q. It is better than the accommodation they get in the cities ?
A. *Mr. Saklatwala.*—Yes.

Q. In these three and four-storied chawls which Government have built for them do you think they can feel happier than in the mill chawls ?
A. *Sir N. N. Wadia.*—I suggest you should ask Mr. Joshi.

Q. Some of your mill hands live there ?
A. *Mr. Geddis.*—Development chawls ?

Q. Do they prefer to live there than in the chawls you provide ?
A. I have no idea.

A. *Mr. Mody.*—Obviously not, because our chawls are tenanted and those are not.

Q. The Association are of opinion that efficiency might be improved if the operatives could be taught to appreciate the improved accommodation now available in Bombay. Where, in the Development chawls ?

A. *Sir N. N. Wadia.*—Of course we naturally say that they are better in our chawls. Only three or four in a room. They are not overcrowded. They enjoy better health and consequently will have better efficiency. That is the meaning.

Q. Or do they probably do it because they cannot afford to pay the large rent ?

A. Partly due to that and partly to the restrictions. I mean the restrictions in the Agreement with the Secretary of State, that they must put all their *kutchra* in dustbins, etc., etc. So many conditions are put in which the people do not understand.

Q. Naturally that accommodation does not suit them ?

A. The agreement which the Development Department has drawn up in the name of the Secretary of State frightens them.

Q. One condition for having a permanent labour population in Bombay would be to provide them with accommodation where they could be at home. Evidently they do not feel at home in these chawls ?

A. They feel at home in our chawls.

Q. That is what I was asking. Is that because the restrictions are not so great ?

A. There are some people living there year in and year out.

Q. Without moving ?

A. If a man goes to his village for two or three months he pays rent and I cannot turn him out.

Q. In the statement in Appendix V you have shown that the wages paid by the mills are higher than in other industries, but those industries belong to other parts of the country. Are the wages paid in the mills higher than those paid in other industries in Bombay ?

A. I think we might ask that question of the Labour Office. That is the place where we can get that information.

Q. You made this statement and I thought you might know.

A. We can get the municipal figures. Mr. Mody perhaps can get you that.

A. *Mr. Mody.*—Yes, I can.

Mr. Subba Rao.—You have made three comparisons in your statement between wages in the Bombay mills and other things. In the first place there is a comparison between wages in the cotton industry and other industries. We want information about other industries in Bombay and not in India generally. But even here, in this statement I find that the engineering trade is giving higher rates ?

A. Sir N. N. Wadia.—I think the Secretary will find it out from the Labour Office.

Q. We want to know the level of wages in Bombay. We want to know for example whether the cotton operatives are being paid too much in relation to the Bombay level of wages. Can you give us any information about the changes in the rate of wages before 1918 ?

A. You will find it in Appendix III.

Q. I have seen that. You have given the figures. But was there anything like a revision of rates ? These are earnings of people in the course of a month. But does it show any revision of rates ?

A. That is caused by the revision of rates.

Q. Was there any rise before August 1914 ?

A. There was. You find there it has gone up from 12 to 14.

Q. The figures only show larger earnings, but there is no indication that higher rates were granted.

A. That factor arises in all markets. There is no general agreement.

Q. I thought you said that the Association accept on behalf of the millowners any general changes and leave it for separate mills to alter their specific rates ?

A. When we changed 15, 30, 60 or 75 per cent. that was done by the general agreement of the Association.

President.—In your statement I find 55 per cent. and 75 per cent. Why are there these different figures? You say here 'Standard muster—1st February 1920 including 55 per cent. and 75 per cent.'?

A. 55 per cent. for fixed wage men and 75 per cent. for pieceworkers because the hours of labour were reduced to 10. Therefore the fixed wages percentage had to go down.

Mr. Subba Rao.—Before the war there was a considerable rise in prices. Was there a corresponding rise in wages in Bombay? Was there anything like common action in the matter?

A. No.

Q. Do you think it possible to arrive at any system whereby you can alter the rates of wages by a system of sliding scale? Is it feasible?

A. Well, Sir, you have got the experience of a coal strike. Do you want another strike here?

Q. What is the connection between the coal strike and this? A sliding scale is not the cause of a strike. It is meant to prevent strikes.

A. *Mr. Geddis.*—I do not think a sliding scale can be applied to Bombay.

A. *Sir N.N. Wadia.*—They wanted it for the coal industry but they have not succeeded.

Q. We need not discuss the coal industry. I merely wanted to know this. You have given us the amount earned by individual workers in the different departments of a mill. Is it possible to know what difference there has been in the total wages bill? It may be that some persons earned more but your total wages bill may not rise in the same proportion?

A The total wages have gone up in the same proportion. I cannot get the figures. I have worked out the relation between wages and other items in one of my mills in Bombay. Supposing the wages were 4, they became 6; 50 per cent. increase in the wages bill. So, it is not 100 per cent. increase.

Q. I am not arguing that. I would like some data as to the changes in the wages bill as a whole. Would it be possible for the Association to give us figures for example as to the proportion of the wages bill to total expenses three or four years before the war and the proportion of the wages bill after 1923 and so on. I would like you to consider that point. I want for the different mills the total wages bill in relation to other expenses apart from the outlay on cotton.

A. I have got some figures here which I will give you. In the spinning department in 1913 including absenteeism—I have taken the total number of hands—it was Re. 0-9-1. I have taken the total number of hands and divided the total amount of wages. For 1925 it was about Re. 1-3-11.

Q. I said I wanted the wages bill.

A. This is one part of it. I took the total wages and divided it by the total number of hands in those departments.

Q. I want to get the proportion of the increase in wages, of the total increase in wages to the increase in other items.

A. If you compare that original statement of ours you will get it.....

Q. I would like to have the total wages bill if it is possible. If it is not possible I won't press it.

A. I am giving these figures per day. Re. 0-9-1 in 1913 and Re. 1-3-11 for spinner in 1925.

Q. Working it in a different manner gives different results. The proportion is different, but the relative burden of the wages bill may not have increased in the same proportion.....

A. Relation to what, Sir?

Q. Relation to your other expenses, the total manufacturing costs.

A. I don't see the point.

Q. I have some figures, but they are not necessary for my argument.

A. *Mr. Geddis.*—May I suggest that this point may be gone into with the mills when going into the question of costs, because it will be easier to go individually than to ask us to find the wages bill for the whole trade. It can be gone into individually.

President.—We may get the information you want when the cost of production comes up.

Mr. Subba Rao.—Turning to the causes of the inefficiency of labour, if I understood you aright, I think you object as much to people absenting themselves at all as to absence with notice. Which is the more important cause of trouble ? Is it the people going away or that they do not give notice ?

A. *Sir N. N. Wadia.*—They go without leave.

Q. Have they good reasons ?

A. No, they go and stay away for two or three days.

A. *Mr. Geddis.*—It is casual leave.

Q. Therefore you object to going without notice, not to absence as such ?

A. *Mr. Geddis.*—You have to make arrangements till they come back. It is troublesome.

Mr. Subba Rao.—There are two distinct things: The first is absence without notice and the second is absence as such. Are you going to object to absence as such or are you prepared to make allowance for absence ?

A. *Mr. Geddis.*—What I object to is absence without notice, not absence as such.

A. *Sir N. N. Wadia.*—They stay away without telling us anything. There is no notice. A man will stay away for two or three days.

A. *Mr. Mody.*—Casual absence is a very disturbing factor.

Q. That is the point I want to get at. Supposing a man comes and asks for two days' leave, will you object then ?

A. *Mr. Geddis.*—He would not come and ask us for leave. He will simply take it. In the majority of cases he won't come and ask, he will simply go away.

Q. Do you object to absence or lack of intimation ? Mr. Mody says he objects to casual absence as such ?

President.—Is it that the millowners like other employers object to absence without good reason ?

Mr. Subba Rao.—Labourers like other people may have occasion for absence. Is that objected to by the millowners ?

A. *Mr. Mody:*—It is the manner in which it is abused.

Q. You object to the abuse ?

A. *Mr. Mody.*—And secondly you may say absence without notice.

Q. You want continuity of work. There is a human side to labour and you cannot expect a man to work continuously without absenting himself now and then ?

A. *Mr. Mody.*—We won't object to reasonable absence.

Q. You object to frequent absence and absence without notice ?

A. *Sir N. N. Wadia.*—Yes ; absence without leave.

Q. You are prepared to permit it when a need is pointed out. I understand also that there is what is called seasonal absenteeism. Can you tell us in what season they are absent ?

A. Generally they go away about the middle of May.

Q. The same people come back ?

A. Yes, they come back about August.

Q. This is the kind of absence you object to. Do you also organise your industry upon this seasonal absence ?

A. We take new men, not the people on our muster roll, but additional hands.

Q. It is suggested you employ more people, keep more people on your standard roll to allow for this ?

A. *Mr. C. N. Wadia.*—For casual absence.

Q. Do you make similar provision for seasonal absence ?

A. No. If a man goes away permanently you replace him for there are spare hands employed or employ another man in his place.

A. *Mr. Saklatvala.*—Or keep the machinery idle for a little while, some part of the machinery is left idle.

President.—How long has a man to be absent before you strike him off the muster roll ?

A. *Mr. C. N. Wadia.*—Well, generally if he is going to be permanently absent he tells you and he gets his pay paid up and he sometimes brings another man in his place, or the jobber who is in charge of that particular section brings another man to replace him permanently. It is only casual absence that is provided against by employing spare men.

Mr. Subba Rao.—I am speaking of seasonal absence ?

A. *Sir N. N. Wadia.*—Do you mean all absence, permanent and.....

Q. I do not. If a man goes home for two or three months, to till his land or reap his crop do you call that permanent absence ? Do you replace him or do you give him a chance to come back ?

A. He must find his place. If there is a vacancy he gets it.

Mr. Subba Rao.—Can you tell us what is the amount of such absenteeism in those two months ? It seems to be a seasonal variation.

A. I am afraid we have got no statistics.

Q. Would you give us some approximate idea as to the amount of seasonal variation in labour ?

A. *Mr. C. N. Wadia.*—We cannot give you any such idea for the reason that it varies from year to year. Before the holiday comes on they get their pay and they clear out and we employ permanent men in their places and no absenteeism is shown then

Q. I am speaking of absence on account of returning to the villages to cultivate the lands. We have had five good monsoons. Would you give us some idea as to what happened then ?

A. We cannot ; because it varies. It is impossible to prevent it.

A. *Sir N. N. Wadia.*—May I suggest, Sir, that Mr. Jennings may be asked to give information on the point ? He has a tremendous amount of knowledge.

Q. With regard to automatic looms, you say there are so many changes of cloth on the looms here and it is impossible to adopt automatic looms in Bombay where the qualities of cloth are constantly changing. May I know what is meant by that ?

A. Suppose you manufacture one kind of cloth and go on repeating it year by year or month by month. Then you can use the automatic looms. But suppose you put thirty-two inch cloth to-day and next day you want to change it. The automatic looms won't serve the purpose.

Q. Is that kind of change common ?

A. Yes ; according to the seasonal demand, our demands vary.

Q. Is the variation in demand for different kinds of grey cloth very common ?

A. Yes.

Q. Within the year ?

A. For instance two years ago our position was that we could not find enough work for wide looms and we were pressed for narrow looms. This year the demand is changed. We cannot turn the required cloth in the wide looms and the narrow looms are idle.

Q. You say double shifts are impossible because people are averse from night work. Did you find greater aversion when you had a double shift some years ago ?

A. No.

Q. They were not unwilling ?

A. They work ; but they were unwilling. They do not like it.

Q. But is it possible to give them any inducement ?

A. I did give them inducement. I gave them 10 hours' wage for 8 hours work.

Q. Without making losses, is it possible to offer greater inducements ?

A. I do not think so.

Q. Do you think this factor of labour in Bombay is very serious in the sense you cannot get more labour when you want it ?

A. If all the mills want to work double shifts, we require 150,000 more hands, all men.

Q. Do you think it is a very large proportion out of India's unemployed hands to get ?

A. The labour is mostly imported here.

Q. Do you think it is a very big proposition to obtain the additional supply ? Do you think it is impossible to induce that number to come to Bombay in the near future, or is it a question of housing accommodation ?

A. Housing accommodation is probably sufficient now.

Q. So that is not the difficulty ? How many more can the Development chawls hold ?
A. From 50 to 80 thousand.
Q. So that will give plenty of room for immediate changes. So it is merely a question of inducing the people ?

President.—Are you allowing five to a room ?
A. *Mr. Mody.*—Four to a room generally.

Mr. Subba Rao.—You were saying something about the legislation affecting the conditions of the cotton industry Do you object to factory legislation as such or only to vexatious legislation ?
A. We are having vexatious legislation year after year. We are asked to fill up all sorts of forms. We want to attend to our work and not to fill up forms of Government.
Q. But is it not done in other countries ?
A. I do not think Lancashire fills in the number of forms that we have to fill in here.

Q. Is factory legislation greater in India than in England ?
A. They have gone more mad in India. You take the history of the last five years and find out how many Acts you have passed.

Q. May it not be belated legislation ?
A. That may be; but you suddenly pounce on us. Not only that, but you want statistics of all kinds.

Q. May I know what kind of statistics you are supplying which Lancashire does not supply ?
A. For instance, there is one form for counts of yarn and total quantity of yarn we produce every month to be supplied to the Government. There is another form showing each kind of cloth manufactured every month and the total quantity per month. Will the Government in England dare to ask Lancashire to produce such statements ?

Q. Don't you have a census of production there ?
A. No.

Q. Not on these lines; but they do send in forms to fill up with regard to production.
A. They do not fill up forms; excuse me.

Q. I am speaking of census of production. It is filled up every month and we can get figures for years.
A. I am sure you are wrong Sir, these forms are prepared by the Federation from certain statistics supplied to them. They won't fill up these forms and submit them to the Government. That is a different story entirely.

Q. The forms are sent to the manufacturer to be filled up and then they are tabulated. It is done every five years.
A. But here it is every month.

Q. I don't press the point further, though there are other figures supplied by British industries.

Mr. Majmudar.—How do you account for the low percentage of absenteeism in Ahmedabad.
A. It is a matter for investigation.

A. *Mr. Saklatvala.*—Ours is a seasonal labour recruited from places like Ratnagiri and so on and their labour is recruited round about the place itself.

Q. Do they not get men from Kathiawar and such other places ?
A. That may be to a certain extent; but not to the same extent as we do here.

Q. In certain mills a certain number of people are allowed to go on leave. Is that the system here ? If they want to go on leave, do you allow them to go on leave ?
A. *Sir N. N. Wadia.*—Yes, if they ask; but our complaint is that they do not ask.

Q. But if they ask for casual leave, you allow them ?
A. *Mr. C. N. Wadia.*—If a man does ask and can furnish reasonable excuse, he is given leave.

Q. With reference to question 76, is it a fact that when the Victoria Jubilee Technical Institute students apply for admission to undergo a practical course in the mills, they find it difficult to get admission in certain of the mills here ?
A. *Sir N. N. Wadia.*—Yes, because they want to be paid immediately they come.

Q. I am referring to the period of six months which they have to put in in a mill before they can qualify themselves for the examination and the complaint is that the students find it difficult to get admission in the mills for that period of six months also.

A. I do not think any mill would refuse admission.

A. *Mr. Saklatwala.*—We allow a certain number to come in our mill.

Q. So do we in Sholapur.

A. Some of the mills do allow these students to come in and have training.

Q. The complaint is that they are not taken up by a good many mills and they find it difficult to qualify themselves for examination.

A. *Sir N. N. Wadia.*—The complaint of the managers is that the moment they are taken they want to walk about like gentlemen and do not want to take off their coats and work.

Q. Can you not frame strict rules ?

A. We have tried ; some conform to the rules and some do not.

Q. If you want to train up a good supervising staff, I think it is necessary to give more facilities to these students.

A. Yes ; We have about 20 apprentices in my mills.

Q. I am referring to the students who are about to appear for the final examinations.

A. We rather prefer men who rise from the workers. The difficulty is that the students want to walk about like gentlemen.

Q. Is it your experience that people who have come out of the Victoria Technical Jubilee Institute are disinclined to work ?

A. Yes ; a great many.

Q. Have you had about a dozen apprentices like that ?

A. Yes.

Q. All with the same result ?

A. Some of them do very good work. I have got two engineers who came as apprentices and they are really good men. If a man takes off his coat and buckles to his work, he gets on.

A *Mr. C. N. Wadia.*—We begin to employ boys educated up to Matriculation and we train them ourselves entirely without any previous knowledge on their part ; and we find that those are the best, because they get into the mill ways from the very beginning.

Q. Does it mean that with their technical education these people are no better than the people in the mills with practical training only ?

A. Our experience is that. We think that the apprentices we train up are much better than the students we get from technical schools.

Q. Have you made any arrangements for theoretical education of these apprentices ?

A. I do not think they require much theoretical knowledge for their work. If they get into the way of running the machine, they gradually rise and their education helps them to acquire the theoretical knowledge as they get practical experience of the work.

Q. Are you referring to the supervising staff ?

A. I am referring to the supervising class.

A. *Sir N. N. Wadia.*—To one of the questions we have replied that some of the mills have started night schools.

Q. I do not mean to say that you are not taking any interest. I am only drawing the attention of the millowners to the standing complaint of the students of the Victoria Jubilee Technical Institute and asking you whether any help could be given to them. I think they deserve it.

A. If they are good boys, we take them. I take them myself. I will promise you that.

Q. Have you tried Northrop looms ? How many were put in ?

A. The Alexandra Mills tried about 100.

Q. When was that ?

A. I can't tell you that.

President.—They have some now.

(Continued on 26th August 1626)

President.—There was one point left over from our discussion yesterday which we decided we might go into again to some extent this morning and that was the definition of "night" in the International Convention. I have looked the point up and I find that the definition of night was "a period of at least 11 consecutive hours including an interval between 10 in the evening and 5 in the morning."

A. *Sir N. N. Walia.*—So that means from 6 in the evening to 5 in the morning.

Q. Or 10 in the evening to 9 in the morning?

A. From 6 to 5 would be the proper interpretation.

A. *Mr. Saklatwala.*—It does not necessarily mean 7 to 5.

Q. It cannot mean only 7 to 5. It means including that period.

A. *Sir N. N. Wadia.*—I think the best way for you is to assume from 6 in the evening to 5 in the morning as is recognised all over the world, or from 7 to 6.

President.—In India under the Factory Act, operators can be employed for 11 hours in one day?

A. *Sir N. N. Wadia.*—Yes; but only 60 hours a week. That is another point.

A. *Mr. Geddis.*—That is under Art. II.

A. *Sir N. N. Wadia.*—That is exactly the point we made yesterday, that the Japanese by passing this new law will not be observing the convention of 57 hours a week and they will be employing women at night. That is exactly the point we made.

(d) Overhead charges

President.—We will now go on to Q. 84, overhead charges. When may we expect the statement mentioned in your reply? You say that you will be supplying full details of the local taxation in up-country centres.

A. *Mr. Geddis.*—That has already been sent to you.

Q. I must demur that it has been sent to me. A statement has been sent from which I was expected, in the midst of my other multifarious occupations, to pick out the information. It can hardly be called a separate statement.

A. *Sir N. N. Wadia.*—Would you like a separate statement made out?

Q. I do not know whether it really matters much. We can do it ourselves. But I must object to a file of a few hundred pages being sent to me to gather the information myself.

A. *Mr. Maloney.*—The original intention was to send a separate statement with everything arranged in a tabular form showing the municipal taxation in the different centres. But it was found on an examination of the papers that the whole system of taxation was entirely different in different centres and so we could not tabulate. Further, we arranged the papers that we had in logical sequence and sent them as they were with an explanatory letter.

Q. As far as I can make out from the papers you have sent me, Cawnpore, Sholapur and Ahmedabad have a terminal tax of between 3 and 5 annas a bale as opposed to your town tax of one rupee.

A. That is so. But they have got less water charges, and less general taxation as a rule. Sometimes the terminal taxes are practically the only source of revenue in industrial centres up-country. Therefore, the town duty on cotton in these centres cannot be compared with the town duty on the cotton coming into Bombay, because that is in addition. It is for a specific purpose in Bombay, whereas in other centres, it is to provide the revenue necessary for running the municipality.

Q. All municipalities have a water tax.

A. Yes; I believe every municipality has some sort of taxation for water.

Q. Other than the terminal tax, what tax do you pay that up-country centres do not?

A. The general tax. In up-country centres, there is sometimes no general tax.

Q. What do you mean by general tax.

A. That is, the mills are assessed on a certain figure and they pay at the rate of 11½ per cent. on that assessment figure. In certain centres in India there is no general tax at all and in those centres it is a common rule to have terminal taxes to provide the revenue.

Q. But have not all municipalities got a tax on property ?
A. Not all, and certainly not so heavy as in Bombay.

Mr. Majmudar.—Both Sholapur and Ahmedabad levy such a tax.

President.—I cannot say off-hand ; but that point struck me on going through the papers. We shall get more information on that when we get the cost of production sheets.

A. *Sir N. N. Wadia.*—In the matter of assessment on property in Bombay, the land and buildings are valued at the present market rates, irrespective of what they cost us. Up to 1915, they took our cost, the actual cost. Then they increased the building values by 50 per cent. and again in 1922-23 they increased the valuation of all buildings put in 1918 by another 25 per cent. Therefore on the same property the valuation has gone up by 87½ per cent. nearly, and 11½ per cent. is taken on such increased valuation.

A. *Mr. C. N. Wadia.*—And no allowance is made for depreciation. The building may be 30 years old, but no allowance is made for depreciation.

A. *Sir N. N. Wadia.*—Then as regards water tax, it used to be annas 8 in 1918. That is per 1,000 gallons. They increased it from annas 8 to 12 and last year they increased it to Re. 1 and thus doubled it. There is no country or town in the world which charges such a high rate for water for industrial purposes. This is a unique city in the world as regards that rate. In Glasgow, for example, where a lot of industries exist and Manchester, they charge 4*d.* per thousand gallons, while the general taxation is 8*d.* But here the general taxation for the ratepayers is annas 4 and we are charged Re. 1 per thousand gallons. Then again we pointed out to the Municipal Corporation that we consumed 1/17th of the total supply of water brought into the City and we were charged 1/7th of the water revenue ; but still we are unable to get any relief.

Mr. Majmudar.—I think that is the policy followed by the Government also. In Sholapur the water rate charged to the mills is 12 or 14 times the water rate charged to municipality for drinking purposes.

A. *Sir N. N. Wadia.*—As I said India has proved to be unique in this respect. Every town in other countries is keen on having industries and everything is done to facilitate them ; but here everything is done to make it difficult for us to live. I do not think in any town in the world the rate of 1*s.* 6*d.* exists for a thousand gallons.

President.—We should be able to discover in due course how your water charges compare with those up-country and the burden imposed on the Bombay industry by this charge. We now come to the question of depreciation, Q. 86. Why is the allowance for depreciation on bleaching and dyeing machinery so much higher than that on spinning and weaving machinery ?
A. Because it is a wet process and the depreciation is therefore very fast and there is the action of chemicals also.

A. *Mr. C. N. Wadia.*—As a matter of fact, the machinery depreciates much quicker than 7½ per cent.

Q. I quite agree with the views expressed in your reply to Q. 86 which, I think, are entirely in accordance with the principles of sound finance. The only point is how many of your members carry them out.
A. *Sir N. N. Wadia.*—The practice varies in each mill.

A. *Sir C. N. Wadia.*—For a year or two of bad trade, we may not fully do it. But in times of good trade we make good that depreciation.

Q. We were discussing that point yesterday, as to how far it was carried out in 1918.
A. *Mr. Saklatwala.*—Some mills make a larger allowance for depreciation than what is given here.

Q. One criticism which has been made on this point is that in the latter part of the boom period mills placed large sums to depreciation to avoid paying super tax. How far is that true ?
A. *Sir N. N. Wadia.*—They had to allow for depreciation which they could not allow in the previous years.

A. *Mr. Saklatwala.*—The income-tax collector when he finds that we take larger sums to depreciation, assesses us to income-tax and super-tax ?
A. *Sir N. N. Wadia.*—I do not understand your point, Sir.

Q. One of the statements which has been made is that during the boom periods much larger allowances were allowedfor depreciation than the rates you have given, in order to avoid paying super-tax.

A. I do not think that is correct. The Income-tax Department is keen enough not to allow that. But what they allowed was that where the company was not able to put aside in previous years, owing to losses or depression, the Income-tax Department allowed for the previous years' depreciation. They allowed for three years.

Q. Then you did not save anything by way of income-tax or super-tax by placing larger sums to depreciation ?

A. No.

A. *Mr. Geddis.*—Put 7 per cent. to depreciation if you like ; but you will be allowed only 5 per cent.

Q. You don't avoid income-tax or super-tax by placing more of these allowances to depreciation ?

A. No. Certainly not.

Q. Therefore, there is nothing whatever in that criticism ?

A. I have never heard the statement before. They criticise us in 1922 for putting too much and they criticise in 1918 for putting nothing.

Q. Not this Board ?

A. No ; I am not suggesting it is this Board.

Q. We have already gone into the question of depreciation being reckoned as a charge on production and not on profits. Is it not the practice to reckon it as a charge on production ?

A. *Mr. C. N. Wadia.*—I should like to have it as a practice. When we have not got profits and make losses, we pile up depreciation until such time as we get good trade and we wipe out that backward depreciation.

Q. The next point is the question of valuation of stocks, Q. 87. I should have thought, knowing very little about these matters, that there is necessity for some uniform practice in this matter of valuation You say that manufactured goods are valued by the majority of mills at their cost prices, by others at or under the market price. I think it must make a very considerable difference in making up your profit and loss account which procedure is followed. Does it not ?

A. *Sir N. N. Wadia.*—Yes.

A. *Mr. C. N. Wadia.*—It is meant to be the cost price.

Q. What about manufactured goods in stock ?

A. *Sir N. N. Wadia.*—It may be that the manufactured goods in stock may have been sold by contract and they have not been delivered.

Q. That is a different point. I take it that manufactured goods in stock which have not been sold are valued by mills either at their cost price or at or under the market price. If you have a contract for them, they have obviously been sold. Therefore you are right in valuing them at the market price.

A. In most of the mills, it is the cost price that is taken into consideration.

A. *Mr. Saklatwala.*—It does not make much difference if one method is followed consistently. If they go on giving at one time the market rate and next year a rate under the market rate and so on, then you may find fault with them. But as long as there is one consistent practice, it does not matter.

Q. Over a series of years it works out the same. Is there any reason to believe that mills do change the practice from time to time according as the position is favourable to them ?

A. As long as they make a declaration, I don't think the auditors can say anything.

A. *Sir N. N. Wadia.*—If you look at the Companies Act, there is a form in which the balance sheet is to be prepared. You have to declare whether you have taken the market rate or the cost price or whatever it is.

Q. The Companies Act makes no reference to the possibility of change from year to year.

A. But you have to declare whether you have taken the cost price or the market price.

A. *Mr. Geddis.*—It may be the policy of some mill to take the cost price or market price whichever is the lower.

Q. I think that is much the sounder plan.

A. *Mr. C. N. Wadia.*—I think you assume that the market price is greater than the cost price ; but very often it is not so.

Q. Not at all. I was about to suggest that the sounder would be to take whichever is less.

A. That is what we do ourselves and I think a great many mills also do the same If the cost price is less than the selling price, we take it, and if the market price is less owing to a drop in the cotton, we take the market price.

A. *Mr. Geddis.*—That is the policy adopted in our mill.

A. *Sir N. N. Wadia.*—The income tax people are not so blind as people imagine. They ask questions as to how the stocks are valued.

Q. The only scope for any malpractice in regard to this valuation of stocks is, that a mill may change from one system to another as it appears to suit it ?

A. I do not think there are many mills like that.

A. *Mr. Geddis.*—If so, it must come out in the following year.

Q. But who would draw attention to it ? The auditor will simply say that in the first year they were valued at cost price and the next year at market price.

A. *Sir N. N. Wadia.*—But the income tax people will question you about that.

Raja Hari Kishan Kaul.—I think the rule with the auditors is that they must always take the cost price or the market price whichever is lower ?

President.—It rests with the mills and not with the auditors ?

A. *Mr. Saklatwala.*—In the certification they specifically mention, 'according to the statement placed before us by the agents or the managers,' and it is mentioned there whether it is the market price or cost price or under-market price.

Raja Hari Kishan Kaul.—In answer to Q. 88, you say 'In certain mills there is a running audit in addition to the annual or half-yearly audit.' Do you think that a running audit is necessary for all mills or not ?

A. *Sir N. N. Wadia.*—Not necessary for all mills. In a big company like mine where there are three companies amalgamated, it is necessary and we have auditors coming and auditing every alternate day. I think it is unnecessary in all cases.

Q. In the smaller concerns, they have a yearly or half-yearly audit. Do the auditors invariably verify the stocks and stores on the last day of the year or half-year or not ?

A. No ; some mills do and some do not.

Q. That is what we found out ; but is not that defective ?

A. I do not think so, Sir. If the auditor went to a mill like mine, it would take a month to check it. You want a dozen men to audit, to check our stocks.

Q. Verifying the stocks and stores ; unless the auditor does that, how can he be sure ?

A. How can he do it ? If we come to the question of stores alone, there are 1,001 different articles.

Q. He need not go through the whole list. He can check it.

A. *Mr. Geddis.*—I think it is done in many mills.

A. *Mr. Saklatwala.*—The auditors have always the right to do that. If they have any suspicion, they can go inside and have the stocks checked. But as long as they place confidence in the agents they do not insist on it.

A. *Mr. Geddis.*—It is not a question we could answer accurately.

Q. What I want to ask you is whether in your opinion it is not a disadvantage that there should be no checking on the last day ?

A. But I think there is.

A. *Sir N. N. Wadia.*—In some mills there is and in some it is not the case. But it is not a disadvantage. Again you come to the question of black sheep. If you want to prove the industry unsound by means of these black sheep, then the sooner you wind up the industry the better. But when an industry is honestly carried out by gentlemen, then I think you find that the stocks are taken and carefully checked by the manager of each mill.

Q. Then it means that the auditor takes the word of the manager as correct, without himself verifying ?

A. *Mr. Geddis.*—If you will allow us we shall get those particulars from Messrs. Ferguson and Company, as to how many audits they have and in how many cases they verify the stocks. Messrs. Ferguson and Company audit most of the mills in Bombay. We can get the information from Mr. Bilimoria too.

A. *Mr. C. N. Wadia.*—Apart from all that, with these meticulous details, will the audit be of any use ?

Q. Checking means, you have got the whole list and you go and check one item here and one item there.

A. That won't be an absolutely accurate audit. For instance, you take my mill in which there are 3,000 looms and each loom has ten parts. The auditor will have to examine 30,000 parts in one department alone and so on he has to go to every department. It is quite impossible for him to do it either within the time limit or with any accuracy.

Q. That is if he wanted to have a complete enumeration. But he can *check.*

A, *Sir N. N. Wadia.*—But I don't think he will check it. What he checks is bales of cloth or bales of cotton. If you consider that at every stage there is cotton and yarn in the process of manufacture, he cannot check.

A. *Mr. C. N. Wadia.*—What is absolutely necessary is that we should count the number of bales of cotton and cloth. They amount to 90 per cent. practically of the total amount of stock we possess. The other ten per cent. you cannot do anything with. It is a small percentage. If a man wants to take, he does not take his accounts in stock. What he does take is, representing when he has got a 1,000 bales of cotton as having got only 100.

Q. That ought to be checked.

A. If the auditor does not do that, what else does he do ?

A. *Mr. Geddis.*—May we invite a representative of Messrs. Ferguson and Company to be here at 2-30 ?

President.—Certainly.

Mr. Subba Rao.—Is there any differentiation in the treatment of reserve fund and depreciation fund ? You set aside sums to the reserve fund and also sums to the depreciation fund. Are they employed differently or in the same manner by all the mills ?

A. *Sir N. N Wadia.*—The amount for depreciation is credited to the depreciation account and the amount of reserve to the reserve fund account.

Q. I want to know how they are employed.

A. Partly for working capital and partly for extensions.

Q. You use them also for extension ?

A. Yes.

Q. Is this considered to be a sound practice ?

A. In some cases it is.

Q. But what is the general opinion ? Is it desirable to employ the depreciation fund for extensions ?

A. I do not see any unsoundness in it.

Mr. Majmudar.—The Central India, Advance and some other mills have got an internal insurance scheme, I believe ?

A. *Mr. Saklatwala.*—Yes.

Q. Do you yourself insure part of your own property ? What is the method ?

A. In the Central India mills we insure our own risk to a great extent and we set aside the insurance premiums from year to year and we call it an insurance fund.

President.—You have not adopted this system in regard to your Bombay mills ?

A. The risk is not the same. In Nagpur the risk is for a local area and the risk there is less than here.

Mr. Majmudar.—You have not done it for the Tata Mills here.

A. Unfortunately the Tata Mills have not had enough profits to set aside

Mr. Majmudar.—To what extent have you succeeded ?

A. We have done very well. The money that is to be paid to the Insurance Company is kept in the mill itself.

Q. So you have not found it to be a risky job to be your own under-writers ?

A. *Sir N. N. Wadia.*—I think they have done very well. Insurance is a question of averages. For a number of years in a mill you may not have a fire. Then certainly if a fire breaks out, it is a question of premium. If you take a risk you run the risk. Your fund may be wiped out. Therefore it is better as Tatas have done to keep a portion of the general specification, as we call it, for the insurance and average out with the

other fire offices their risk, so that at any time the whole insurance fund is not wiped out

A. *Mr. Saklatwala.*—May I say we have followed the practice much further. In fact, unlike others we do not insure at all. Because under our Banking system we have to place certain goods against it. We have to insure to that extent and that extent alone. We effect the insurance as far as the Nagpur mills are concerned.

Q. I have an impression that the day before yesterday it was said that the Millowners do not propose to go in for their own fire insurance as it was risky.

A. *Sir N. N. Wadia.*—Mutual Insurance, you mean ?

Q. The suggestion was for the Millowners' Association to start a fire insurance just as they started Workmen's Compensation Insurance scheme; and it was said that there was risk in doing so. So I want to ascertain as to whether individual mills have themselves taken the risk without suffering by it ?

A. Certain mills have suffered.

Q. By taking internal insurance ?

A. Yes.

Q. For how many years ?

A. I can't tell you that.

Q. Are there particular instances ?

A. I shall look those up.

Q. Then if you look to your original statement, page 27, you find that 1·67 pies are put down for fire insurance. The total production of the mills in Bombay Island—I am taking only cloth, I am not taking yarn into consideration—is about 220 million pounds. On this the amount of insurance at 1·67, works out to 19 lakhs a year and then if we add 17 per cent. for the commission which is not refunded to the mills, that works out to 22 lakhs of rupees. Now, if the total premium that the Millowners' Fire Insurance Association could get would be 22 lakhs, do you think there is any great risk in starting a Fire Insurance Association ?

A. *Sir N. N. Wadia.*—I am afraid so, for the first principle of fire insurance is the law of averages. No insurance company can exist if it carries on insurance in one country or in one particular district or in one trade only. The risk must be average for the whole world and it will be rather a risky business to insure both fire proof and non-fire proof because the risk of non-fire proof is much greater.

A. *Mr. A. Geddis.*—May I ask on what quantity of cloth you work it out, the total production which is spread over the whole year ? In your calculation you have taken the whole production of the Bombay mills.

A. *Sir N. N. Wadia.*—Stock is going out and coming in all the time.

Mr. Majmudar.—This figure of 1·67 would not be correct in that case ?

A. Why not ?

Q. Unless you distribute the total amount of insurance premium on the total production and work out the insurance charge per pound this figure would.....

A. *Sir N. N. Wadia.*—I beg to differ from you. The insurance is taken by the mills for their buildings, machinery and stock in each particular year or at one particular time. For instance I produce in my mills 26 thousand bales of cloth a year. The point that Mr. Geddis wants to make is that we do not insure 26 thousand bales of cloth because we will never have that in stock. We will have four or five thousand bales of cloth. The other insurance is for buildings and machinery. But when we come to the average on total production it works out at 1·67.

Q. On a pound of cloth produced ?

A. Yes.

Q. Therefore the total amount of insurance will be 1·67 multiplied by the total amount of cloth produced ?

A. As a mill we can't take that risk.

Q. That is a different matter. The total amount will be 22 lakhs. I take it that it is the correct figure ?

A. I am not prepared to agree to that.

A. *Mr. Geddis.*—Of course not. You can ask for it from the F. O. C.

Q. If you take your own mill you will be able to find out ?

A. The total amount of insurance ?

A *Sir N. N. Wadia.*—We will ask the F. O. C. They may give it to you.

Q. Then, as regards the discussion about the check on valuation by the income-tax authorities, I believe the income-tax people would object to the stocks being under-valued but not to stocks being over-valued ?

A. *Sir N. N. Wadia.*—I do not think so. A similar procedure is observed every year. If there is any change they ask questions about it.

Q But if the stocks are over-valued I do not think they are very particular ?

A. I do not see the point of it. If they are over-valued there is no need to grumble. They would assess on a bigger profit and the result is they need not object at all.

Q. The point was raised by the Raja about over-valuation, whether the mills over-value their stocks ?

A. I do not think so. They do not over-value the stocks.

Q Lastly, I want to ask you about the question of depreciation funds being used for renewals of machinery and buildings. The depreciation funds are practically for replacement of machinery as it gets old or for rebuilding buildings which are in a dilapidated condition. Practically by going in for extensions you provide for new machinery so that when the old machinery becomes obsolete it would be as replacement of the old one. That is I think the idea with which many of the mills use the depreciation fund for extensions. Am I correct ?

A. No, Sir. They use the depreciation fund for extensions because for 20 years or more that depreciation fund may not be required. If you start a new mill to-day and begin to put away 5 per cent. for depreciation the whole of that money would not be required for 20 years. Most mills use it for working capital because it saves them from borrowing from the bank.

Q. So, the depreciation funds are invested in extensions because the money is lying idle ?

A. That is mostly the case.

(e) *Sales*

President.—We now come to the question of sales. You say : "Most mills employ commission agents who effect sales and guarantee the solvency of the buyers. A few mills have their own selling organization"; but you are unable to express an opinion as to which of these methods is better. I should have thought that sufficient experience was available by this time to enable you to come to some opinion on that point ?

A. I do not think so, Sir, because it depends as to the bad debts the selling agents incur. When markets are falling the selling agents have to make good very heavy bad debts on account of the buyers. In good years probably they do not. I think both systems work out on the average to about the same.

Q. When you effect sales to the commission agents that means that any bad debt incurred are incurred by the commission agents and not by you ?

A. They are practically guarantee brokers.

Q. The question arises as to which of these two methods ensures your being in closes touch with the consumer, that is your ascertaining what it is that he really wants. Do you consider that your own selling agency or the commission agent is better able to keep you in touch with the opinion of the consuming market ?

A. *Mr. C. N. Wadia.*—Those mills that tried to sell their own stuff have gone back to the system of commission agents. The commission agent who is an expert is better qualified to sell than a mill organization which is not so qualified nor able to give such long credit as the commission agent. I think the balance of experience shows the commission agency to be the proper method of selling goods.

Q. You are an authority on this point, Mr. Saklatwala ?

A. *Mr. Saklatwala.*—Our system is more or less different from the system of Bombay. We believe in having our shops all over the country and we believe in coming in close touch with the consumers as far as possible. There may be a difference of opinion but we believe in our system. The Bombay millowners seem to think that their system is better. I can only express my own view in the matter.

Q. The Cawnpore mills seem to go in far more for direct touch with the consumers than the Bombay mills ?

A. *Sir N. N. Wadia.*—Because they are in the midst of the market.

Q. They advertise all over India. I do not think a single Bombay mill advertises ?

A. *Mr. Geddis.*—Which mill at Cawnpore ?

Q. I think most of them ?

A. They are selling different stuffs for the household.

A. *Sir N. N. Wadia.*—That serves only for a very small quantity. What they advertise is towels, bedsheets and things like that

Q. Do you make them ?
A. Only in small quantities.

Q. Those mills obviously find it pays them to do so. As you have pointed out on several occasions during the last three days every mickle makes a muckle.
A. *Mr Geddis.*—May I suggest that they are catering for a different class of customers and therefore have to employ different methods.

A. *Mr. C. N. Wadia.*—You must make some allowance for our environment. For instance Cawnpore mills work very largely for Government and only a fraction of their goods is sold in the open market. Secondly these Cawnpore mills mostly advertise made up articles such as shirts, towels and things of that character. They only buy from outside and make up these locally, tailoring being cheap in Cawnpore and that is how they turn a penny, but the amount of goods sold by them is small while the amount of goods we have to get rid of in Bombay is very large and therefore it does not pay us to sell retail pieces of cloth on half a dozen towels to customers, advertising largely, because first of all the demand is always up north for all these things and therefore the question of freight will come in very largely and secondly it would make only a very small hole in the stocks we produce whereas it makes a pretty big hole in the stocks they produce.

Q. You mean the surplus stocks they produce ? But take Ahmedabad. They go in far more for direct selling than Bombay. They are always prepared to sell a few bales here and a few bales there.
A. *Sir N. N. Wadia.*—Bombay mills also do so.

A *Mr. Saklatwala.*—We sell in pieces.

Q. Bombay never refuses to sell however small the quantity ?
A. *Mr. Mody.*—It does not. We sell a bale, ten bales, a thousand bales, whatever the customer wants here in Bombay.

Q. There is nothing in that then.
In answer to Question 91 I find you mention 'sahi'. I would like to know exactly what 'sahi' is.

A. *Sir N. N. Wadia.*—Gratification, Re. 1 per bale. It is an allowance given. It is a small present. It was originally started as *buksheesh* but it has now become a trade discount.

Q. I do not know whether I understand these figures correctly, but it seems to me to show that there is a larger discount on imported goods than there is on Indian goods. Am I right in the inference ?
A. Not now.

Q. It seems to me that these figures in the answer to Question 91 show that the discount on imported goods is considerably larger than the discount on the Indian goods. For instance on the imported goods 3 or 4 per cent. is given whereas on Indian piecegoods brokerage is one quarter per cent. and one-eighth per cent. There is a considerable difference between them. How does it work out ?
A. It is all taken into our calculation according to the rules of the trade.

Q. But the discount on imported goods is considerably larger ?
A. The price is put up accordingly.

A. *Mr. Geddis.*—We can also do the same by adding it on to the price, 3 or 4 per cent.

Q. I thought that must be the explanation. I was wondering whether there was a sentimental effect to be taken into consideration. If you have the same rates.....
A. *Sir N. N. Wadia.*—The dealers are clever enough to count everything, Sir, whatever you do.

Q. The sentimental effect might be the same as when ladies are attracted by getting an article for 2*s.* 11½ *d.* instead of for 3*s.* ?
A. Indian merchants are shrewd enough to calculate everything.

Q. I take it that the dealers in piecegoods have greater difficulties in obtaining finance than in pre-war days just as everybody else experiences greater difficulties now-a-days. Have they any peculiar difficulties ?
A. I do not think so. That depends again on their credit.

Q. The loss of their capital owing to depression must react to a considerable extent on you ?
A. They won't buy such large quantities ahead and run risks as they used to do.

Q. Therefore the general trade depression is not the result of conditions peculiar to India ?
A. I do not understand your point, Sir.

Q. My point is that the depression in the piecegoods trade, the depression amongst the dealers in piecegoods, is not the result of Japanese competition because they can buy Japanese goods just as much as they can buy Indian piecegoods. If there is depression in the piecegoods trade, it is bound to react on you ?
A. Not necessarily. Why should it not react on Japanese goods ? The same dealers buy.

Q. They buy far more Indian goods than Japanese.
A. But that is not the point. Owing to the continued falling market during the last three or four years these people have suffered and therefore their credit has contracted and they are suffering from that. It does not affect Japanese goods or our goods specially in that respect.

Q. Quite so. But the falling market in the last few years is due to world conditions ?
A. Not to world conditions. It is due to the large crops, to the American crop.

Q. That is a world condition ?
A. Put it that way if you like.

Q. You said the depression is due to factors peculiar to India. If one of the most important factors is the large American crop you can hardly describe that as a factor peculiar to India ?
A. *Mr. Saklatwala.*—There is a factor peculiar to India. When the rupee ratio was fixed at 2*s.* and piecegoods merchants entered into large contracts and prices dwindled heavily there were large failures and there was altogether great depression in the trade which to a certain extent reacted on Indian piecegoods also. They have suffered in credit, they have lost money and their buying power is greatly deteriorated.

Q. Quite so, Mr. Saklatwala, but has that depression continued steadily since that date ?
A. They have never recovered.

A. *Sir N. N. Wadia.*—When these dealers entered into contracts exchange was at 2*s.* 10*d.* They bought on that basis. Suddenly, in three months, they found it at 1*s.* 4*d.* Goods arrived at sterling price and they had to pay double the price.

Q. Then the textile trade is to that extent affected by outside influences.
A. *Mr. Geddis.*—That argument of Sir N. N. Wadia's applies only to importers of English goods.

A. *Mr. Mody.*—Both in English and country goods they have been hit very hard, if not practically killed by the violent fluctuations in exchange, when exchange tumbled down from 2*s.* 10*d.* to 1*s.* 4*d.* and as Mr. Saklatwala has pointed out they have not recovered since to any extent.

Q. To what extent do you consider dealers deal in both ?
A. *Mr. Mody.*—To a fair extent.

Raja Hari Kishan Kaul.—Mr. Saklatwala, have you always had a direct organization for sale or have you tried the agency system as well ?

A. *Mr. Saklatwala.*—Ever since I have been here the system has been in existence. It was in existence before my coming. I may say for twenty-six years now.

Q. Have you any experience of the commission agency system ?
A. We sell both ways. There is the selling agency and also we send consignments to upcountry markets.

Q. Can you express an opinion on the comparative merits of the two systems ?
A. We have found in our system we have to carry large stocks and to that extent we have got to provide for very much larger finance than the ordinary Bombay mills. In a rising market our system has worked very well but in a depressed market the other system has advantages over our system. Lately we have found that our system has not been at a great disadvantage. It depends on the tendency of the market.

Q. Ordinarily is it less expensive ?
A. We have got to maintain agencies in different parts of the country and that means that we have got to have a separate organization in every town.

Q. The expense of the whole organization put together, does it come up to the commission rate level ?
A. We are paying a slightly larger commission than the Bombay mills because we have extra expenses in maintaining shops in different towns and to that extent we have got to make it up. Our commission is larger than what the Bombay people pay.

Q. It is a more expensive organization then ?
A. We consider it has advantages which counterbalance the larger expenditure.

Q. What are the advantages ?
A. The advantages are that we are able to sell retail as well as wholesale to the extent that if a man comes to a shop we will sell him a single piece or 50 bales as the case may be.

Q. Do the Japanese give 60 days credit on commission sales ?
A. *Sir N. N. Wadia.*—I am not aware of it. I have heard of 34 days. I do not know, Sir, correctly.

Q. The Germans gave six months credit before the war ?
A. I do not know, Sir.

Q. I wanted to verify if it was so.
A. If they give credit they add it on to the price. It works out after all to the same thing. The dealer knows what he is getting.

Q. But these little catches help ?
A. The dealer is quite intelligent enough to keep abreast of these catches.

Q. But in depressed financial conditions a man may consider it to be a great advantage to have two months credit instead of having to pay cash down ?
A. Will Government institute a credit system as they have done lately in England for export business, export credit ?

Mr. Subba Rao.—Please tell me how many dealers or classes of agents so to speak stand between the mills and the ultimate consumer. Roughly speaking, through how many hands do the goods pass ?
A. Only through one. Our commission salesmen sell to wholesalers.

Q. First, your commission agent and then the wholesaler.....
A. He retails it himself. The wholesaler retails himself.

Q. He has got shops of his own ?
A. Yes.

Q. You spoke yesterday about guarantee brokers. I do not think I quite followed their functions. What is it they do actually ?
A. Suppose we sell about a thousand bales to A, the wholesale dealer, through our guarantee broker, now, if that wholesale dealer does not pay up the price of the goods or fails the guarantee broker has to make good the amount to the mill.

Q. Do they have spot transactions or only for forward delivery ?
A. Cash transactions as well as forward delivery.

Q. Have there been any cases of these people defaulting, not taking up delivery owing to a fall in price ?
A. There have been such cases.

Q. What is the remedy open to you ? There is the civil suit for one thing but apart from that is there any possibility of getting at these people ?
A. Sometimes after filing the suit we compound.

Q. Without going to the civil court is there any other way, is there any trade pressure ? For example, without going to the civil court, stock exchange contracts are binding by tradition.

A. Contracts on the Stock Exchange are between broker and broker and not between the public and public.

Q. So, in these cases the guarantee broker has to make good. Does the guarantee broker come to the mill and you ask to file a suit against the dealer ?
A. In many cases.

Q. It occurs frequently ?
A. Yes.

Q. Do you send out samples at all ?
A. Yes.

Q. It has been suggested it was not done on a large scale ?
A. As far as I can speak for myself it is done.

Q. Are Bombay mills generally in the habit of sending out samples ?
A. Yes.

Q. Is there anything like a common organization for exporting here ? Do the millowners of Bombay try to capture the export markets by common action? I am not speaking of trusts but of co-operative organizations. Is it a feasible thing, do you think, for these mills to form some kind of co-operative organization for sale abroad ? I understand of course that some Governments help.....
A. I would like to see the Government help first.

Q. Is any common action possible ?
A. It is possible to a certain extent.
President.—What help ?

A. For instance we have just now got a curious question I think Mr. Saklatwala will speak about it. Turkey has raised our import duties on Indian goods. They are going to charge us import duties on a larger scale as if we were not a most favoured nation. The Association has been writing to the Government of India. They say that they have represented the matter but we cannot get any ruling. The Government of India say that we are a most favoured nation but we are still being charged a higher rate

Q. But you know how long it takes to do anything through diplomatic channels ?
A. In the meantime we are paying duty and our goods are being stopped.

Q. It is not altogether fair to put the blame on the Government of India who may be, and I believe are, doing all they can to expedite matters.
A. *Mr. Saklatwala.*—We are not blaming the Government, but it hurts us in another way. We are being ousted from a market and it is far more difficult to regain a market after another nation has got in.

A. *Sir N. N. Wadia.*—What is necessary is to have a live Trade Commissioner in each export market who will look after all these difficulties that come in our way and put them right on the spot.

Q. As we are on this subject—I had intended to take it up at a later stage—but we may as well go into it now—I wanted to know whether Mr. Maloney has got any information on the questions raised by the Trade Commissioner for East Africa. I understood the other day that he drew your attention to the fact that you were losing your markets there. What he said in his report for the Government of India was :—' It seems doubtful if any of the mills constituting the Association is sufficiently interested in the export trade to take the necessary steps to meet strong competition. The home markets in India have hitherto been able to absorb the bulk of India's production but in the event of a monsoon failure or other setback ' (which has unfortunately now come) ' the export trade would be of much greater importance and it should be at least maintained if not extended to meet such a contingency '.
A. When was that ?

Q. 1922.
A. And what did the Government of India do ? Did they forward it to our Association ?

Q. I presume so. The Trade Commissioner had written direct to you.
A. *Mr. Maloney.*—I shall have to look up the point.

Q. It is a most important point, because it would be of no use recommending Trade Commissioners if.....
A. *Sir N. N. Wadia.*—If it had come to our Association at least one of us one of the five members who are here would have seen it.

Q. It is no use recommending Trade Commissioners since the Government of India can turn round and say that when they had a Trade Commissioner you made no use of him.
A. The question is whether that letter has ever been received by us.

Q. You probably have got a copy of the report. If not, you can have mine. Mr. Leftwich himself says he brought the matter to the notice of the Millowners' Association. Therefore you must have some correspondence on record in connection with Kenya. Mr. Leftwich was Trade Commissioner in East Africa for two or three years till the Inchcape Committee "axed" him.

A. You may enquire, Sir, at the same time whether during that particular year they made the rupee a florin in East Africa. I suppose you have heard of it. Don't you think that was the cause which ruined Indian trade there more or less, and it is no use blaming the Indian mills.

Q. I want to know what the millowners did ?

A. We will look up the correspondence. But as far as we, five members, are concerned not one of us knows anything about it.

A. *Mr. Maloney.*—I will make one point clear about East Africa about that time and that was that specific duties were imposed which specially penalised Indian goods and favourably treated English goods. It considerably handicapped us.

Q. I think you should amplify that point, Mr. Maloney, if you can. If you can give us definite figures I should be glad to have them.

A. *Sir N. N. Wadia.*—You may look into that question of Kenya exchange.

Mr. Majmudar.—Have you any idea of the system of sales followed by Messrs. Binnys in Madras. As far as I know they send out samples ?

A. Binnys' mills are in a peculiarly happy position. They monopolise all Government contracts in the first place.

President.—Is it correct to say that they monopolise all Government contracts ? It might be more correct to say that they have a large share ?

A. I purposely used that word, but you can modify it if you like, Sir. Then for their surplus they send out samples to various agents. They have got agents in each town and they fix the prices monthly and they sell at that rate.

Mr. Majumdar.—My impression is that some smaller merchants in each town are given agencies. It is not that there is only one man in each centre. There are three or four merchants in each place and they actually sell by indents ?

A. Yes, they sell by indent system, but they have one man in each place as far as I know.

Q. I think in Sholapur they have two or three.

A. In Bangalore and other places they have only one.

Q. That might have been in former years, but recently I think they have two or three at each place. That does away with the wholesaler to a great extent ?

A. It depends on the quantity handled. I began by saying that they get a large share of Government contracts and they have not so large a surplus to sell.

Q. What percentage of the production would be for Government contract ?

A. I cannot tell you. I have not got any figures.

(*b*) *Transport*

President.—I have some few questions to ask as regards the next section

A. It is very difficult for us to get any figures.

A. *Mr. Maloney.*—I have mentioned in each case the authority for the statement. We cannot guarantee the absolute correctness in every case.

Q. Have you worked out the actual addition to the cost of cloth per pound due to the freight of cotton to Japan and of piece-goods from Japan to Bombay. What is the exact addition in cost ?

A. *Mr. Malony.*—I have worked it out but have not got it here.

Q. Let us have the conclusion at which you have arrived.

A. Gross or net ?

Q What do you mean by gross or net ?

A. Before or after rebates ?

Q. Obviously after rebates.

A. *Sir N. N. Wadia.*—If you refer to the Fiscal Commission's report and the evidence there given I think you will find that even the Fiscal Commission had great difficulty in getting out figures from our friends, the Japanese. They had to acknowledge that the figure was 23 yen, freight rate, per 40 cubic feet for cotton and the rebate was 10 yen. After a great deal of questioning they acknowledged that the rebate given to the Japan Cotton Spinners' Association was 10 yen. So the net rate was 13 yen. I would refer you

to Questions 20938, 20939, and so on on page 930. You will see that the gross rate was 23 yen and the net rate was 13 yen. The rebate was 10 yen. The figure was distinctly given after a great deal of difficulty. If you read that evidence you will find it very instructive. I would like you to read that evidence. It is very very important.

Q. In your answer to Question 95 you say that in certain instances, Bombay, Madras and Calcutta are given specially low freight rates. Can you specify those ?

A. *Mr. Maloney.*—It would not be possible to specify. We have rates for the whole country from every centre.

Q. No, I do not want that. I want to know what you mean by ' certain instances ' ?

A I think we can specify those. To Calcutta and wherever there is competition between sea borne freight and rail-borne trade we get a lower rate of freight.

Q I want to have the specific instances for Bombay.

SECTION VII

Suggestions as to remedial measures

(c) Suggestions put forward by the Bombay Millowners' Association

President.—We now come to the most important section of the questionnaire—suggestions as to remedial measures. As regards the proposal that the customs duty on machinery should be abolished, the net result would not be very substantial, would it ?

A. *Mr. Geddis.*—It would mean 61 lakhs of rupees a year which is more than the cost of a mill of 30 thousand spindles and 1,000 looms.

Q. Would you regard that as an appreciable measure of help ?

A. We should so regard it. Besides it is a nuisance. If the customs duty did not exist our raw material would come straight from the ship to our mills. As it is, it has to be carted to the warehouse to be inspected and then various formalities have to be gone through. We have to employ men to look after the clearing, forwarding and opening of cases. They have to be opened to see that we are not importing anything except what we say, and all that sort of thing. It hampers us greatly. It is much more expensive. If we could get all our materials without customs duty we should be very happy.

A. *Sir N. N. Wadia.*—May I draw your attention, Sir, at the outset to the speech made by Sir Malcolm Hailey when he was Finance Member in the Government of India. He distinctly stated that as a war measure they were asking the millowners to pay this duty on stores and machinery and that as soon as the Government's finances permitted they would take it off. Sir, the war ended over eight years ago. We are getting old. We will see it some day, I suppose in our life time. I do not know.

Q. If you could give us the reference to that speech we should be glad to have it. When you refer to mill stores, are you referring to things which can only be used in mills like bobbins and things of that kind, or are you referring to things like China clay which, I presume, are used for many other purposes besides mill purposes.

A. But, Sir, before 1917 or 1918, I am not sure of the year, China clay, bobbins and all other stores which were used by our mills and genuinely imported by the mills were allowed to be imported free.

Q. That is the point I want to make clear. The mill stores that were allowed free were stores definitely imported for mills. It is a question of the consignee, not the character of the stores ?

A. Yes.

A. *Mr. Geddis.*—We only want the *status quo.*

Q. The only other point that arises is if this concession were given to you, would the jute industry demand it, also ? Would there be no other mills in India which would expect to get it ?

A. *Sir N. N. Wadia.*—It was given to the cotton mill industry.

Q. But other industries got it before ?

A. Lately, zinc being a raw material has been exempted in certain instances. This is one of our raw materials.

Q. Yes, but my point is, are you suggesting that this concession should be confined to your industry ?

A. We have no objection to its being given to other industries if after due enquiry, Government find it necessary to do so. Is that what you want me to say, Sir ?

Q. I do not *want* you to say anything.

A. We can only answer for our industry, but we have no objection if other industries are given the concession.

Q. You consider it should be a special concession governed by the merits of the particular industry ?

As regards this Companies super-tax, how much is it ?

A. A flat rate of one anna on over fifty thousand rupees profit

Q. What justification is there for taking it away ?

A. May I ask a question, whether the Chancellor of the Exchequer was correct to take that corporation tax off in England ? Why is it kept on here ?

Q. My point is that I cannot see what effect it would have on the prosperity of the industry. How can it handicap the industry if it is not payable until the industry is making profits which enable it to pay it ?

A. First and foremost it is a double indirect form of taxation. A shareholder first and foremost has to suffer the super-tax paid by the company. He loses that amount himself. Then, when the money is distributed in the form of dividend he is again charged super-tax on the same income in a double form. I ask you whether under any cannons of fair taxation, except as a war measure, it is correct or incorrect.

A. *Mr. C. N. Wadia.*—It is an inequitable tax. Moreover it is a double tax.

Q. That may be ; but the question is how it affects the prosperity of the trade. I cannot see that it is a handicap to the industry.

A. *Sir. N. N. Wadia.*—Suppose my company has as a block costing 3 crores. Suppose I make 5 per cent. profit annually or say 14½ lakhs. I am charged on 14½ lakhs at the rate of one anna, a flat rate. Then super-tax is charged and it cannot be recovered by any of the share-holders however small they may be ; and the bigger the company the greater the loss to the share holders. The smaller companies have the same allowance of Rs. 50,000. They do not take into account the size of the company. Therefore, in the first place, it is inequitable in that respect. Secondly, as I said, it is a double taxation on the same profits, because it is charged not only on the share-holders but on the company also.

A. *Mr. Saklatwala.*—It is a treble taxation in our case. The company first pays the tax. We, as agents, are a limited company and so we pay again. Then we as individuals pay a third time.

President.—Can you not make representations?

A. We have made representations on the matter.

Q. Did not the Taxation Committee go into the question?

A. *Sir N. N. Wadia.*—Yes. They want to make it permanent, Sir. While the Chancellor of Exchequer in England has recognised the inequity of this tax and has removed it, it still remains here. The very fact that the United Kingdom has taken it away this tax shows the inequity of it. It was only introduced as a war time measure to last probably for one or two years and now it is made permanent.

Q. You consider the town duty of one rupee a bale unfair for the reason you have stated, namely that it was levied for the purpose of a scheme of chawls which has not been successful?

A. Yes. I wish the Bombay Government would institute an enquiry like the Bombay Back Bay Enquiry as to the erection of these chawls.

Q. Bombay must be getting a little tired of enquiries.

A. Bombay had big schemes and all turned out failures and we are paying for them through the nose.

Q. As regards your proposals in regard to railway freights, do you recognise that the railway costs have gone up like everything else? Labour charges on railways have gone up in the same way that yours have.

A. Yes ; we recognise that.

Q. We shall have to go into those proposals with the railway authorities and see what their views are in regard to them.

A. Before we go away from the railway freight, I only want to make a general remark that a lot of expenditure which is supposed to be on capital account or ought to be on capital account is charged to revenue account. There is a very good habit with the Government of India that if any new building up to the extent of 5 lakhs of rupees is put up it is charged to the revenue account. When it goes over 5 lakhs it goes to the capital account. If you bring all these charges to revenue accounts and also all improvements

and extensions you make, you will never make any profit on railways. If we carry on in the same way in our mill industry and brought all the charges for extensions and improvements to revenue account, we should never make any profits even in the best of times. The limit as far as the Imperial Budget is concerned is 5 lakhs. Any item of expenditure up to 5 lakhs is credited to revenue account.

Q. I do not profess to know anything about railway finance, but there is one point which arises out of this and that is, can you quote any instance in any country in the world where an indigenous industry is given preferential freight rate over foreign imported goods ?

A. Not to my knowledge.

A. *Mr. Maloney.*—There are a considerable number of instances, the best known instance being that of the bounty on coal freight in Natal.

Q. That is a bounty on import goods. You have got a bounty for coal on railway freight in India, a bounty of Rs. 1-8-0 a ton on exported coal. I want to know whether there are any precedents for this proposal. It is helpful to know whether this course has ever been adopted on any railways in other countries.

As regards Trade Commissioners, the point on which the Government of India and the Legislative Assembly will want to be convinced is that if you get the Trade Commissioners you will use them.

A. *Mr. C. N. Wadia.*—The Trade Commissioner never uses us. We do not know when a Trade Commissioner is appointed. He reports direct to the Government of India once or twice and we never get the Reports. If you look at the way in which the Japanese are using their Trade Commissioners, the Foreign Office taking interest in their affairs, as given in our reply to question 102, you see the contrast between the Trade Commissioner appointed by the Government of India and the Japanese Trade Commissioner.

Q. The Government of India have only recently experimented with Trade Commissioners.

A. *Sir N. N. Wadia.*—How is it, Sir, that America can send out her Trade Commissioners to every country in the world ? We have got them in Calcutta and Bombay and they broadcast their monthly, fortnightly or weekly reports. I get copies of those reports and they contain very real arguments. Advanced countries like America and Japan do it. I give them credit for it. I am afraid the Government of India exists only for taking money out of us and not to foster our trade.

A. *Mr. C. N. Wadia.*—There is a difference between our Trade Commissioner and the Japanese Trade Commissioners.

Q. The Government of India have no Trade Commissioners except one in London.

A. *Sir N. N. Wadia.*—If it had not been for the Calcutta interests, for the jute business, the Government of India would not have appointed that Trade Commissioner in London.

Q. I think you are a little unfair.

A. I have come to that conclusion, Sir, from what I have seen.

Q. I am certainly speaking both for myself when I was Trade Commissioner and for my predecessor and successor when I say that we had no predilections whatever in favour of Calcutta.

A. But the enquiries and all that you did was mainly in respect of the tea and jute trade.

Q. Might not that be because the tea and jute trade were more alive to the existence of the Trade Commissioner ?

A. No ; that is because London was the principal market for those articles.

Q. Quite so ; now we have got down to the real point.

A. But for the interest of the Calcutta merchants the Trade Commissioner would never have been appointed.

Q. You consider it is eminently desirable that Trade Commissioners should be appointed where they can be of use to you.

A. Yes ; we want them to know us personally.

Q. They could not pay very frequent visits to you ?

A. But look at the way in which the other Trade Commissioners work. They go to various Associations and visit them while they are in India time after time. Why does not our Trade Commissioner when he returns to India come and visit us ?

Q. He has never been here since he took over the appointment. You want him to take leave in India ?

A. He is an Indian Trade Commissioner. He must come round and visit us and know his job. If he goes to England on leave and goes back to his country, that won't be of any use to us.

Q. Suppose these Trade Commissioners were appointed; where do you want them in the first instance?

A. We would like to consider exactly where they would be most useful. But we would like a Trade Commissioner to be kept especially in places where textile goods are used, for instance, Egypt, South Africa, Zanzibar, Mesopotamia, Persia, probably Singapore, Java, Hongkong, Shanghai, Australia. We want them in all these ports.

Q. We have heard your opinion on the methods of Government at considerable length during the last three days. It is not very likely that Government would appoint Trade Commissioners wholesale to start with. I do not know whether it would be wise. They would want to make an experiment in a few selected centres to see whether they would be of any use. So if you would let us know which you consider the most important centres, it would be most useful.

A. We will consider that. But how is it that America can afford it?

Q. America is the wealthiest country in the world.

A. But it has got the wealthiest by this process.

Q. Not by the process of appointing Trade Commissioners?

A. By their help.

A. I think America was in a prosperous condition before it sent any Trade Commissioners out.

A. *Mr. Saklatwala.*—Government is helping industries there. America is a highly protective country.

Q. Experts differ as to how far it is due to that protection. You suggest an export bounty to make up for the rise in the value of the rupee. Do I understand that to mean an export bounty in addition to the protection you suggest?

A. *Sir N. N. Wadia.*—The protection which we suggest will apply to India only. The export markets will have to face a much more severe competition from foreign countries than from the Indian markets, because here we have got protection only up to 11 per cent. We are faced with that fact and if we are to go in for export markets under the present currency policy, it will be absolutely impossible for us to go on, because of this handicap.

Q. Where is the money to pay the export bounty to come from?

A. By increased import duty or any other method you like.

Q. I want to know the method you suggest. Out of increased import duties?

A. There are also other methods.

Q. In regard to question 104, you suggest the imposition of an additional duty of at least 13 per cent. on yarn and piece-goods imported from foreign countries which compete unfairly with India. I think you agreed the other day that with the Japanese exchange at its present rate at 132 or 133, there is no special depreciation of the Japanese exchange in comparison with any other exchange in the world?

A. Yes, as far as sterling and yen exchange is concerned; but as far as rupee exchange is concerned, there is depreciation.

Q. My point is that the Japanese exchange is now at gold parity?

A. That is with sterling and gold and not with the rupee.

Q. With the rupee at 1/6, the Japanese exchange is now at parity?

A. Yes, because you fix an artificial value on the rupee.

Q. That is not my point. My point is that the Japanese exchange at the moment and as far as one can see is likely to remain at exactly the same parity in comparison with the Indian exchange and every other exchange in the world, except those continental exchanges which are depreciating. The Japanese exchange is not a depreciated exchange as compared with the Dollar exchange or the pound exchange or the Dutch florin exchange.

A. Yes; that is so and if you fix 1/6 then it will be at parity at 133.

Q. Exactly, I quite agree. But then in these circumstances what countries are you referring to, when you talk about foreign countries with depreciated exchanges?

A. But, Sir, you first and foremost go away from the point that you are artificially fixing the sterling rate.

Q. That is not the point at all.

A. But it affects our industry. At the very outset you told us that you will enquire into the exchange as far as it affects the trade.

Q. I am doing that.

A. Then, it affects our industry at 1/6.

Q. The point I want to know is what justification, if any, there is for singling out Japan as a country with a specially depreciated exchange.

A. You take the figures. Take the figures six months ago.

Q. We must, as far as we can, take the conditions as they exist to-day and as they are likely to exist in the future; and as far as we can see, the Japanese exchange will remain round about its present level with the rupee at 1/6. Therefore what justification is there for singling out Japan as a country with a specially depreciated exchange ?

A. It is clear then that by your currency policy you are going to put us at a disadvantage by 12½ per cent. straightaway. Do you agree ?

Q. Against every other country, and not Japan alone.

A. Yes; it affects our industry to that extent.

Q. It affects your industry as compared with every other country in the world.

A. Every industry in India will be affected to that extent.

Q. Against *every country* in the world; that is the point. What special reasons are there for discrimination against Japan ?

A. If you refer to paragraph 132 of our original statement, we have given our conclusions there.

Q. But in the whole of your argument in the preceding paragraph the exchange which you refer to is the Japanese exchange. What I am trying to get at is whether there is any reason now for discrimination against Japan in this matter of exchange.

A. We say, Sir, that normally exchange in pre-war days and up to the catastrophe in Japan in 1922 was 153. On that basis we are prepared to face the competition of Japan or any other country in the world. If you are to manipulate your exchange and the Japanese manage their exchange, we are handicapped. If the Government of India artificially fix the exchange at 1/6 we are to that extent handicapped.

Q. Against every country in the world ?

A. No, Sir. We are competitors. We only look to those who are competitors.

Q. Every country that sends piecegoods into this country is your competitor.

A. Yes; therefore, on that argument, you are to that extent favouring the importers against the Indian industry.

Q. From every country.

A. And further provided that these importing countries are making goods similar to our goods.

Q. While assuming then that the discrimination should be against competition in the goods which you are manufacturing, cannot that discrimination be effected by a duty on counts of cloth rather than a duty against a specific country ?

A. We have concluded that Chapter, by showing how that worked in the previous years. I think in one of our statements we say that. If you read paragraph 16 you find a statement, from which you will see that a similar experiment was made in 1879-80. You find ' The effect of the duty in fact was not so much to encourage a general increase in trade as to induce manufacturers and importers to substitute goods of the coarser and duty free kinds for the medium and finer qualities which had formerly when all classes were alike subject to duty formed the bulk of the trade. In this respect, the results were much more decisive than was anticipated. It was of course expected that a certain proportion of the goods generally made of yarns ranging from 30s. to 40s. would in future be made of yarns of 30s. and under so as to bring them within the limit of exemption; but what has actually occurred has been a complete revolution in the course of the trade in grey goods, the importations of the medium and finer classes having almost ceased since the issue of the notification.'

Q. I take it your point would then be that exactly the reverse will happen now; that if you put a heavy duty on the coarse goods it will drive import trade into the finer goods. Is not that so ?

A. Not necessarily. It depends on what duty you put on. It will depend on the percentage. It is very difficult to state at this stage unless we know the actual figures and the percentage, whether a revolution will take place in that direction. But I am only saying as a general thing what has been the experience in the past.

Q. My point is that if you admit, as I think we are agreed, that the effect of what you call depreciated exchange is the same in regard to every country in the world .....

A. We do not agree with that. We only say that you are handicapping us as far as our industry is concerned. We are taking the same line of argument. We are not discussing the question of exchange.

Q. I am dealing entirely with your industry. If you agree that the effect of exchange is the same on the imports of piecegoods from every country in the world, then, the logical conclusion to be drawn from that seems to be that the import duty or protection should be on all imports coming into this country. Is not that the logical conclusion to be drawn, that if the world exchange has gone down in relation to India or the rupee has gone up in relation to the world exchange then you have a handicap, according to

your argument, of 12½ per cent. in regard to all imports of piecegoods into this country ? Is not that the logical conclusion to be drawn, that the protective duty should be imposed on all imports which compete with yours that come into this country and that there should be no discrimination by countries ?

A. We will have no objection to that.

Q. But you have stated that you have an objection to that.

A. You make a difference between coarse and medium counts. As long as you impose a corresponding duty on coarse and medium counts, we have no objection.

Q. And by medium counts, you mean ?

A. Right up to 40s.

Q. You told us day before yesterday that India could not compete in counts over 30s except by using imported cotton.

A. But you ask me the definition of medium counts and I say, up to 40s. because 32s. and 36s. we can make from Indian cotton and that comes to medium counts; but the limit is to be fixed at 40s.

A. *Mr. Saklatwala.*—At that stage I said that we were making up to 40s. from Indian cotton. I qualified it to that extent.

Q. But is the bulk of manufacture of counts over 30s. from Uganda cotton ?

A. As far as we are concerned, we do not make anything from Uganda up to 40s.

Q. You say there is an objection to the imposition of a duty on goods made from counts over 40s. ?

A. *Sir N. N. Wadia.*—No, Sir, we do not object. But I said there might be a chance of substitution. That is why I read that paragraph.

President.—How are you going to get over that ?

A. We will wait and see.

President.—I see that your Association has made an important change in their original proposals. You now consider that the protection should in the first instance be given only for five years ?

A. God knows what the Exchange will be five years hence, or anything else. If you will tell us what is going to happen five years hence I have no objection. That is why we thought we would ask for this now. We can come back to you again. Circumstances are changing.

Q. We now come to a very important question of the effect of the duty you propose on prices. But before we go on to that there is one point I should like to comment on. I think as you probably know, the other Tariff Board in making its recommendations has as a rule been guided by the cost of production in this country and the cost at which goods of similar character can be imported, and has recommended protection to make up the difference. It was so in the case of the Steel industry. But your Association have merely put forward these proposals on general grounds. You ask for 8 per cent. for exchange and 5 per cent. for double shift, and just to make sure that these two will give you what you want.....

A. No, Sir. We want more.

Q. Just as a make-weight you ask for an additional 5 per cent. to make sure that there were no miscalculations made in the other two.

A. There is no make-weight. We want depreciation.

Q. I will come to that question later on. Before we go any further, you ask for 8 per cent. for the depreciated exchange. I take it that that remains practically the same. You took exchange at 129 and it is now 131 ?

A. If the exchange had been 108 as in the last year we would have asked for much more.

Q. If there had been no question of depreciated exchange, do you think you would have come forward to ask for protection on the ground that the mills were working double shift in Japan ?

A. Again I will refer you to paragraph 131 of our statement in which we replied to that question.

Q. You have not replied to that question. What I want to know is whether, if there had been no depreciation in exchange, you would have asked for protection on the ground of double shift working in Japan. You have kept the two factors together throughout and say in paragraph 132:—'It is the considered opinion of the Association that if the sterling exchange were brought down to 1s. 4d. gold and Japanese mills were made to work one shift, not employing women and children at night then the industry could stand on its own legs and would not require protection.' What I want to know is whether you would have considered the double shift labour in Japan of sufficient importance to you in asking for protection if it had not been for the depreciated exchange ?

A. Double load on a little bullock kills it. A single load a bullock can drag. It is all I can say.

Q. I take it that I am to draw the inference that you probably would.....

A. *Mr. Mody.*—Not necessarily.

A. *Sir N. N. Wadia.*—The load would not have been so great as to crush us.

Q. I should like to go into more detail on this question of the effect of the duty. Has the Association at any time since this enquiry started or before it began worked out the exact effect of the duty on its prosperity ? Have you attempted to form any estimate of the exact increase of price or the exact amount of duty required to convert your loss into profit ?

A. *Mr. C. N. Wadia.*—We show you the loss for 1924. We show you the loss for 1925, which is the amount that we require to bring us on an equality with our competitors.

Q. You ask for more than that ?

A. We want something more than that. That is the minimum we require to put us on an equality with our competitors.

Q. In that case you have doubtless worked out the exact increase in price per pound which would bring you on an equality with your competitors ?

A. We told you 13 per cent.

Q. You do not tell me that. You do not tell me that 13 per cent. will wipe out the loss. The 13 per cent. is based entirely on general considerations. You say there is the depreciated exchange.....

A. We have worked it out, Sir. Curiously enough it comes to the same figure.

Q. I should be glad to see that calculation. It is very important in the present connection because I cannot see how the 13 per cent. you have asked for would give you what you want, since in your reply to question 106 you say that the increase in price would not be anything like 13 per cent. owing to the competition between Indian mills. You say that it is not going to be anything like 13 per cent. owing to the competition of Indian mills. If you are not going to get 13 per cent. extra on every pound of cloth that comes out of your mills, how is your loss going to be covered unless the protection were, say 26 per cent. ?

A. *Mr. Mody.*—The question is how far this 13 per cent. will affect the imports from Japan. It is difficult to see now how far it affects our balance sheet. What we have asked for is to be placed in a position of equality with countries which enjoy certain advantages, certain fair advantages and certain unfair advantages.

A. *Sir N. N. Wadia.*—I will give you a simple calculation. We produce something like 1,500 million yards of cloth. I am only taking round figures and if you take 4 yards to the pound.....

Q. This fifteen hundred millions, is for the whole Indian mill production ? I want the figures for Bombay only.

A. You take about 220 million pounds for Bombay. The cost of cloth is 14 annas, but suppose we take it at Re. 1.....

Q. The price of long cloth you have given is more than that. Your price is 16 or 17 annas.

A. Let us take it just for calculation at 16 annas. That means you have got 220 million rupees. If you put an import duty at 1 per cent. we get Rs. 22 lakhs. Now, you can work out the figures.

Q. Your loss in 1924 was 2 crores and 43 lakhs.

A. Provided we get that corresponding rise in our price of cloth, which I doubt.

Q. That is my point.

A. The protection we ought to get is more, but if we got that full rise in our price then that would compensate.

Q. The question I should like to ask you is this. In your answer you say that the increase would not be anything like 13 per cent. owing to the competition of Indian mills. What per cent. you think it would be ?

A. I think the increase will be much less.

Q. Then, in order to give you what you want, you want a protective duty of 25 per cent.....

A. We will be glad to have it if you give it us.

Q. It is for you to say what you want. But do you consider it is any use giving protection unless it is absolutely certain that it is going to achieve its object for which it is given ?

A. *Mr. Mody.*—It is bound to help us.

Q. It is not bound to help you. It does not seem to me that you have established that it is bound to help. All that you have established is that you will reduce your loss

A. You will admit in any case.....

Q. I admit nothing.
A. Would you say that it would check the flow of imports ?

Q. I am not prepared to admit anything. The questions are for you to answer.
A. If you are putting it to us that it would not help our industry at all I ask you another question, whether you think that imports would not be affected by the imposition of an import duty ?

Q. I am prepared to admit that that is the usual view held by economists on the question.
A. My point is that imports will be affected most certainly by the imposition of a sufficient duty and to that extent it would help us. Whether it would help us in any particular figure it is impossible to say, but it would certainly help us if imports from countries with depreciated exchanges had to pay the duty. Whether it will make up for the entire loss or not is a different thing.

Q. But if it does not make up for the entire loss what is the justification for putting it on ?
A. *Sir N. N. Wadia.*—A partial loaf is better than no loaf at all. We do not want to open our mouth too wide. If you can give us a partial loaf.....

Q. You admit that there is hope for the industry apart from protection ?
A. I do not admit that. Yes, provided we get fair competition.

Q. The measure of protection that you have asked for, leaving such things as depreciated exchange and unfair competition from double shifts entirely out of the question, the measure of protection that you have asked for is not sufficient to convert your loss into equilibrium unless the price of the cloth goes up by 12½ per cent., which you do not think it would. You consider it is much more likely to go up by only 6¼ per cent. Therefore given this amount of protection it would seem that you would steadily go on losing though only to the extent of half you are doing now. Therefore what good is this protection going to do ?
A. Do you want us to work double shift ?

Q. I do not want you to do anything. I want to know what is your reply to the position which I put before you ?
A. We put our cards on the table. If this protection is given, it will be a material help. If we get a corresponding increase in price it will be a great help.

Q. But you do not consider it would ?
A. We do not know how trade will go in future. We will be content with this trial and will see how it is going for five years.
A. *Mr. Saklatwala.*—I say, Sir that what we are asking for is to bring about equilibrium now lacking owing to unfair competition in exchange and labour conditions. Whether it is adequate protection to make the industry meet both ends may be an extraneous consideration. But, what we are asking here is that the unfair competition which exists should be done away with and we should be given a chance to exist.

Q. Do you consider it is worth while upsetting the economic equilibrium of the country as this measure is bound to do to a certain extent unless it is going to achieve the purpose of to making both ends meet ?
A. At least the fairly well managed mills would get into that position though not all and to that extent it will achieve the object.
A. *Sir N. N. Wadia.*—We won't make such heavy losses and will certainly be able to bear the burden.
A. *Mr. Mody.*—We have not asked that our losses should be converted into profits. Our whole case is that we are being hit very hard by unfair competition. If you look at paragraph 132 of our representation we distinctly say there that if the sterling exchange were brought down to 1*s.* 4*d.* gold and Japanese mills were made to work one shift, not employing women and children at night, then the industry could stand on its own legs and would not require protection. Our whole case is that we want to be protected not because the industry requires protection in the larger sense of the word but because at the present moment at any rate we are hit very hard by unfair competition and depreciated exchange. Protect us to that extent at the present moment any way we are not asking for anything more. That is our whole case, Sir.

Q. I see. Before passing on to the next question I think a good many people would like to know the ground on which you estimate the wealthier classes of the population in India at about 20 per cent. of the whole population. It looks a very liberal estimate ?
A. *Sir N. N. Wadia.*—We have put it as mild as possible. We have been very moderate in our demand. That shows the moderation of our demand.

Raja Hari Kishan Kaul.—Is it not a mistake to say that all the goods imported from the United Kingdom are used by the wealthier classes, because a very large proportion of grey cloth and dhoties comes from England ?

A. *Sir N. N. Wadia.*—They are not used by the poorer classes.

Q. Not by that 20 per cent. of the richer classes ?

A. Mostly fine jaconets and mulls.

President.—In answer to Question 109 you say that the cost to the consumer by the increase in import duties would be negligible. As far as I have been able to make the calculation you suggest a total increase of 17½ per cent. in the duty, which means an increase of about three annas a pound—I am working on the figures you supplied. The increase of three annas a pound means a total of about eight crores on the total Indian mill production. Is not that a fairly extensive burden on the Indian consumer ?

A. *Mr. Maloney.*—But this calculation is based on the supposition that half would be paid by the consumer.

Q. Who is going to pay the other half ?

A. I think it will mean about an anna and a half per head of population. About one anna a pound.

Q. Your calculation is that an increase of 12½ per cent. in the duty would mean an increase in cost to the Indian consumer of one anna per pound ?

A. We do not say that. It might possibly.

Q. The point I am now leading up to is, is it merely a question of one anna a pound between the Indian mill industry and destitution ?

A. I think that an extra anna per pound would be of material help to the industry.

Q. We have got down to the position that it is only a question of one anna a pound between profit and loss.

A. *Sir N. N. Wadia.*—No, Sir, it is much more than that. We may get a rise in price of one anna or about 6 per cent. But that does not mean we would be quite all right

Q. That is all you are asking for, or you are expecting ?

A. We are expecting 13 per cent. *plus* 4½ per cent. If half of that is borne by the mill and half by the consumer then the rise in price would be to the consumer of about 1½ to 2 annas per head.

Q. Assuming that the difference as now appears would work to about 1 anna a lb. what is the proportion that bears to your labour charges. Your labour charge is how much a pound ?

A. Three annas.

Q. I cannot help thinking that the criticism would be levelled against the millowners that if they cannot reduce their price of cloth, if they cannot find some method of effecting economies which will reduce the cost of cloth by one anna a pound, they are a much less competent body than the public regard them to be ?

A. *Mr. C. N. Wadia.*—If they are a competent body they cannot reduce. If they are an incompetent body and have been piling up expenditure on their mills then of course they possibly can, but we claim to be competent millowners and have been working our mills economically and it is quite impossible to reduce our cost.

A. *Mr. Mody.*—I would like to add that the loss during the last two years would have been much greater but for the economies effected in every direction. Screws have been tightened.

Q. I do not think that you would be here today if it had not been the case that economies have been effected. It is obviously in your own interests that such an elementary measure should be taken.

A. I am answering your criticism. You threw out a suggestion but there was room for further economy.

Q. I was throwing out a suggestion that that may be the criticism.

A. *Mr. C. N. Wadia.*—The total cost of producing today, without the excise duty. a pound of cloth is in the neighbourhood of 6 annas of which labour consists of 3 annas. Labour cannot be reduced. The cost of fuel and stores comes to 2 annas. That cannot be touched because that is the irreducible minimum. As far as fuel is concerned Messrs. Tata are supplying us power at 1·25. As far as stores are concerned it is absolutely the minimum. We cannot reduce anything. Two annas would represent the absolute minimum at present on what power and stores cost us. At least you want one anna for all other charges, selling charges and all other charges. Will you kindly tell us how a reduction of one anna is to be made ?

Q. I am not in the dock !

A. What you ask for is impossible.

Q. I am not asking for anything. I wish I could get you to believe that. It is my business to bring to your notice every possible criticism that I think may be raised against

your proposal in the future to see whether you have any answer to that. The mere fact that I put them before you does not necessarily mean that I support them in any way.

A. We are not saying anything about you personally. I put it to you that your suggestion is impracticable.

Q. You mean the suggestion that may be brought forward.

A. Yes, the criticisms that we may be subjected to. We already anticipate them and say that we are running as competently as can be. We do not make losses unnecessarily. They are forced on us. There is no room for further economy.

Q. I wanted to elicit your views on the point.

A. You have done so.

President.—Question 107 is, 'Do you consider, on the other hand, that the result of the imposition of the proposed additional duty would merely be such an increase in sales as might result from the displacement of imported yarn and cloth'? The point there is to what extent do you consider the imposition of the duty you suggest would check imports.

A. *Sir N. N. Wadia.*—I think we thrashed it out this morning that the increased duty will not go on the consumer.

Q. The question is whether it would keep out entirely imported cloth of the counts on which it was imposed.

A. To a certain extent it will, because they won't be underselling us at the present rate.

Q. You cannot say whether it would completely prevent imported goods coming in?

A. It is impossible to say, Sir.

Q. Your reference to sugar in your reply to Question 109 seems, if I may say so, a little unfortunate. Admitting that the tariff on sugar is 43 per cent., I am not aware that it helps the sugar industry to any appreciable extent.

A. *Mr. Mody.*—It is only to meet the point that import duty on piecegoods would be objectionable. We merely point out that for an article of general consumption it is as high as 43 per cent.

Q. Do you call the sugar coming into India an article of general consumption?

A. *Sir N. N. Wadia.*—Certainly.

A. *Mr. Geddis.*—Surely.

A. *Mr. Mody.*—I think it is, so far as my knowledge goes, though I am not prepared to be emphatic.

Q. The sugar that is generally consumed is in the form of *gur*, I understand. The sugar that comes into India is refined sugar which is and has always been regarded in every country as a luxury.

A. *Mr. Mody.*—It is used by large masses of people.

A. *Sir N. N. Wadia.*—The point here is, you see in what form your question is put: 'Do you consider that an increased import duty should be levied even if it increases the prices of yarn and cloth to consumers'? It is from that point of view we have answered.

Q. The point which arises is the comparison you made with sugar. What I am trying to get at is whether the two can really be compared in view of the fact that cloth is undoubtedly a necessity, while one cannot, I think, say that the sugar that comes into India is a necessity in view of the fact that, in the first place, most of it is of a quality which is not commonly consumed in India, and in the second place, that it forms such a small proportion of Indian consumption.

A. *Mr. Mody.*—Could you tell us what is the amount of sugar that is consumed?

Q. About 450,000 tons of imports into India. I believe the production of *gur* is about 2½ million tons. The total consumption is thus about 3 millions, of which about ⅛th is imported.

A. *Sir N. N. Wadia.*—But the refined sugar produced in India is very small.

Q. Yes; very small.

A. It is less than half of the imported.

Q. Very much less.

A. We were only answering your point. There was no other meaning except whether it will increase the price of cloth and yarn to the consumer.

Q. What I wanted to find out was whether in your view the 43 per cent. duty was really of much use to the sugar industry.

A. You know better because you were Chairman of the Sugar Committee.

A. *Mr. C. N. Wadia.*—In most of the restaurants in Bombay the sugar used is imported sugar.

Mr. Subba Rao.—But the country is much larger than Bombay and you cannot generalise from Bombay.

President.—In which of these years given in the answer to Question 110 do you consider cotton prices were normal? You say 'except in years when cotton prices were abnormal'.

A. *Sir N. N. Wadia.*—It is given in the table.

Q. You say 'the figures of consumption given above go to show that there has been no diminution in the total consumption of cloth since the imposition of the higher duty except in years when cotton prices were abnormal'. In which of those years were they abnormal?

A. If you refer to pages 100 and 101 of our original statement the abnormal years were 1923 and 1924 when you see that Broach goes up to 510 and 560. All those years when the cotton was very high were abnormal.

Q. I only want to know exactly which years you regard as abnormal. Has there been a case when the increase in consumption has coincided with the fall in the prices of cotton and cloth which more than made up for the increase in duty?

A. I do not understand the point, Sir.

Q. My point is that during the last three years, especially in 1925-26, there was a steady fall in the price of cotton and since 1924 there has been a steady fall in the price of cloth; so that any increase in consumption in 1924, 1925 and 1926 might legitimately be attributed to the fall in the price of cloth which more than made up for the increased duty.

A. *Mr. Geddis.*—It is difficult to reconcile the figures because the cotton crop will be of one year and the cloth of another year and the cloth may not go into consumption for possibly another nine months to a year.

Q. I see your point. But in order to get at the correct facts, the point which should have been taken is the consumption of imported cloth, how far has the consumption of imported cloth been restricted as a result of the increased duty to 11 per cent. What has been the effect of the increased duty on imports of cloth?

A. *Sir N. N. Wadia.*—It will be very difficult to find out, Sir, because the cotton crop of one year turns into cloth practically in another year and it is consumed in the third year.

Q. That is the point I was coming to now. The difficulty is to disentangle the effects of protection from other factors. As you say yourself in answer to Question 111, "an increase in the duty would not act as a restriction on the consumption of yarn and cloth for the reason that the price of cloth is subject to variation by so many other important factors as far as the purchaser is concerned." We have to try to disentangle this particular factor from other factors and you would presumably admit that any increase in prices must to that extent act as a restriction on consumption.

A. *Sir N. N. Wadia.*—How can that be? How can we admit it?

Q. It seems to me a common economic law that if you raise prices it restricts consumption.

A. *Mr. Geddis.*—One would have thought so; but our answer to Question 110 does not bear that out.

A. *Sir N. N. Wadia.*—That is a theory you are propounding, and not a fact.

Q. It is a fact of human nature that if you have got to pay more for a thing you use less of it.

A. *Mr. Geddis.*—But that is not borne out by the figures.

Q. That is, you say yourselves that there may be other factors to counterbalance it; but it is a fact that increased price must act as a restriction on consumption, standing by itself?

A. *Mr. Mody.*—But does it ever stand by itself? Theoretically it might do so, but in practice does it ever stand by itself?

Q. If it did, our work would be very much easier. It would then be a mathematical problem but unfortunately it is not.

A. *Sir N. N. Wadia.*—You have got a more complex enquiry than the Steel Industry Enquiry in that respect.

Q. Very much more complex. I may say that the reason why we took 1913-14—a procedure you take objection to in your reply to Question 111—was that it is the last year which can be regarded as normal or anything approaching normal. You say that in 1912-13 and 1913-14 imports were particularly heavy owing to the low prices of American cotton. If this is the case, does it not show that the lower the prices, the greater the consumption?

A. *Mr. C. N. Wadia.*—Upto a certain point, yes. But we invite your attention to page 98 of the Statement from which you will see that the prices of Indian cotton during 1920 was 30 annas, just double the price now; and the increase of consumption between 1920 and

today is very small in comparison to the drop in prices, though from 30 annas we dropped to 16 annas. People must buy cloth whatever the price is. You cannot possibly sell more than what the people require. Our contention is that the Indian people were very well able to pay 31 annas or the corresponding price for the imported cloth which is 3 annas higher.

Q. Were they well able to do that ?

A. Nobody is willing to pay a larger amount. But they were capable.

Q. If that was the case, why did I spend an extremely strenuous 14 months in Bombay making Standard cloth ? It was because they were not able to pay 31 annas.

A. Not in 1921.

Q. It was 1918-19.

A. Even supposing you leave 1920 alone and take 1921, the average rate of cloth in 1921 was 26 annas. There were shorter imports owing to the war.

A. *Sir N. N. Wadia.*—There was no cloth available.

A. *Mr. C. N. Wadia.*—What I wish to bring to your attention is that the increase of 11 per cent. forms a very small part of the variation to which cloth is liable owing to the variation in cotton.

Q. I quite agree, Mr. Wadia. The point to which we got to this morning was whether some other factor might not upset the whole calculation based on an additional import duty of 13 per cent. If the margin is so small, say one anna a pound, the whole scheme might be upset by some variation other than a duty.

A. Everybody in the world is striving to work as economically as he can, and one anna spread over a few means a very large amount in the total. I should like to mention that I have seen a case in which a firm which made a profit of about £4 millions estimated that if they reduced their price by half an anna an ounce they got a loss. The difference is in the aggregate, whether it is one anna or half an anna.

A. *Mr. Mody.*—I am not sure whether I quite catch your point. But in any case this advantage of 13 per cent. will remain, whatever happens. Assuming that an additional import duty of 13 per cent. is levied, that advantage will be with us whatever happens.

Q. The price of your cloth will be raised to that extent ?

A. Or by checking imports, by restricting imports.

Q. That would have the same effect ?

A. Relatively the advantage now enjoyed by one country would vanish and therefore the competition of that country would certainly be restricted. That would be a distinct advantage, whatever comes.

Q. You would then come to the large question of internal competition between the mills ?

A. Then we would be face to face with our own competition. We will not be faced with competition from outside.

Q. In regard to Question 112, if Japan cannot sell in India, there will consequently be keener competition in foreign markets ?

A. Yes.

Q. Your view is that even so you will be in a better position to meet that competition ?

A. If there is bigger consumption, we can.

Q. I take it that you consider that your remarks that an increase of duty on imported yarn to 18 per cent. would have no prejudicial effect on the handloom industry are borne out by this Table 15 on page 80, which shows that imports of foreign yarn has gone up in recent years in spite of the increase in duty ?

A. Yes.

Mr. Subba Rao.—I shall just dispose of the question of export bounties and come to import duties. We shall not talk about the depreciation of exchange or appreciation of exchange and the effect on export markets but only examine your proposals as to how you want to get the bounty. In the first place, do you want a bounty on the total exports or on any one kind of export ? You propose in your reply to question 103 an export bounty to develop new markets and extend old ones. Is it your proposal that you want an export bounty on the total exports or on any specific lines of exports ? You say you have lost certain markets and you want to capture them again and get new markets and for that purpose you want an export bounty. May I know how you want to get it, in what shape ? On total exports, on specific lines or on exports to certain countries ?

A. On exports to certain countries at so much per bale.

Q. All your markets or any specific markets ? Have you any markets specially in view?

A. All the markets.

Q. Have you any idea of the amount of bounty you want? Have you given the matter any consideration?

A. No.

Q. It is a mere proposal to be discussed later on more fully?

A. Yes.

Q. Now in regard to import duties, in the first place you have not said anything about the rate you want as a set-off against depreciation. You propose 8 per cent. on account of exchange and 5 per cent. on account of double shift. How much do you propose for the third difficulty, the depreciation charges?

A. You will see, Sir, in answer to the special question on page 32, we say 4½ per cent.

Q. Now as regards the first 13 per cent., I assume that it is based upon the difference between the advantage in production in the Indian and in the Japanese mills?

A. We have given the reasons why we have taken that 8 per cent. on the exchange question.

Q. But there are certain figures given, in the first place, in your statement and secondly in the answers regarding the relative costs of production. Am I to understand that the 13 per cent. is based upon the difference in prices of Indian goods and the competing Japanese goods as given in your statements?

A. They have nothing to do with it. Out of the 13 per cent. we put down 8 per cent. for exchange. That figure we have worked out is on the basis of 16 per cent. difference in the exchange and as the Japanese have to take their cotton from here which forms 50 per cent. of the value, we have reduced it down to half.

Q. Therefore, it is not a question of relative differences in costs; but something modified?

A. No, Sir. It is entirely an exchange question. It has nothing to do with costs.

Q. Then how does the competition come in between the two, if it is not the difference in prices?

A. Differences in prices due to the exchange.

Q. Therefore the final result is a difference in prices. Goods are delivered at the Indian ports at certain prices before the import duty is levied, and you have got your *ex*-godown costs. I assume there is some difference between the two, which operates against the Indian producers just now. The difference in the exchange and owing to double shifts,—does it amount to 13 per cent.?

A. That is what we have shown.

Q. So far as I can see from your figures, it is not completely borne out. If you will kindly turn to your answers on page 34 and take column 10.....

A. That particular statement certain mills have submitted and we have put it before you.

Q. After all, we have got to go by the data you have given. You have got to show that the prices of goods delivered at the Indian seaports are lower than the prices of goods of Indian production *ex*-godown by a certain percentage which is a measure of the drawbacks you are now labouring under and this Table is the one we have got to go by. And so far as I can see, the cost per piece given here in column 10 and the nett c. i. f. price given in column 15 do not differ by 13 per cent. You will find yourselves that in some cases the cost per piece in the Indian mills—in three items—is lower than the import prices (8th, 9th and 11th items). The Indian cost in these three items is lower than the nett c. i. f. prices of Japanese goods.

A. That is the Indian cost without taking depreciation and everything else.

Q. I can only go on the figures you have given us.

A. Column 10 is the actual cost without taking into account any charges for depreciation or income-tax, etc. That is the actual cost. You take column 11.

Q. That is your *ex*-godown price, column 11, and not column 10?

A. Yes, if you allow for depreciation, etc.

Q. Does column 11 include depreciation only or profits also?

A. Profits at the rate of one anna.

A. *Mr. Geddis.*—The Japanese c. i. f. price presumably includes profits.

Q. It does, so that if you take columns 11 and 15 it will work out between 10 and 15 per cent., so that these figures are based upon differences between your selling price and the Japanese selling price?

A. What ought to be our selling price,

Q. What you ought to recover and what you cannot on account of the Japanese prices being low ?

A. *Sir N. N. Wadia.*—A mill like mine working economically, cannot make more than 4 per cent.

Q. Any way it is a price that you would not call unnatural.

A. It will pay our expenses and give us a little margin.

Q. In that case you want to recover that price and do you think that if your proposals are carried out, they will give you that price ? The duty of 13 per cent. or 17½ per cent. that you propose now will give or is calculated to give you the price you have given in column 11 ?

A. It will be very much narrowed down if we do not get the full advantage.

Q. You hope that if the duty be imposed the prices will come to this level, so as to give you, not even exorbitant, but a decent margin, and these prices are not now obtained by you by any means ?

A. Yes.

Q. I want to know what you hope to obtain by protection. Do you hope to obtain the prices given in column 11 ?

A. No ; I would not say that. We may get the prices mentioned in column 11 or we may not.

Q. But what is it you desire ?

A. We would desire a decent margin. This only gives you 4 or 5 per cent. We desire a margin of 10 or 15 per cent.

Q. You want to get at least this and more if possible ?

A. Yes, on the present basis of cotton and on the present basis of working costs ; that is the idea.

Q. But on the present basis if these prices were obtained you will not lose ? And the prices now ruling in the market are not equal to these ?

A. Since the preparation of this Appendix, column 12 has gone down in prices again. That is the Japanese selling price.

Q. How does it affect your selling price ?

A. Then the C. I. F. will be less. The comparison has gone worse for us.

Q. Therefore you want more protection ; but these prices you have given in column 11 are adequate ?

A. Since this statement was prepared, the prices in the market are less.

Q. I refer to your selling prices. Regarding the difference between the Japanese price and the price you want to get, I ask you whether the difference is equal to the amount of protection ? Your point is, you want more protection because the Japanese prices have gone down so that 13 per cent. would not give you this difference. In any case you want to get this price as a minimum ? Otherwise you will lose ?

A. Yes.

Q. Therefore the present market prices are much below the prices you hope to get which are by no means exorbitant ? Is it not so ?

A. Yes.

Q. The next point is, if you impose this 13 per cent. duty, what kind of duty do you want ? Do you want it to be general or on any one country ?

A. That is what the Tariff Board will have to recommend.

Q. Do you want a general duty or a duty on one country or as you say in reply to the special question, do you want a " heavy duty on coarse goods and lower counts of yarn, a moderate duty on medium classes of goods and low rate of duty, or the present rate, on higher counts "?

A. That is the alternative suggestion.

Q. Therefore you want specific duties ?

A. If you have specific duties, then it will be much heavier. But if you want to have one single all-round duty, then we ask for 13 per cent.

Q. So the alternatives are an all-round 13 per cent. duty.....

A. Or a sliding scale as we have answered in special question I.

Q. But you have not given the rates there.

A. They are to be worked out.

Q. What are your proposals ? Is it to be an *ad valorem* duty ?

A. No. *Ad valorem* won't do. It will have to be fixed on the same lines as the Japanese do.

Q. You want a specific duty on each pound of cloth at so much; and that will apply to all countries, irrespective of the source of import?
A. Yes.

Q. You said some time ago, and the main contention has been, that the competing goods are mostly from one country. That was the burden of the song till now; and therefore whether you put 13 per cent. duty on goods from Japan alone or make it a specific duty on the different lines of goods that come mostly from Japan, the effect will be to oust, let us say, the Japanese goods? Therefore, there will be reduction of imports of the kind of goods that now compete with your production. That is your purpose. Whether you call it a duty on goods from Japan alone or on all such goods that come in the main from Japan, the net purpose is and the result will be, if the duty is sufficiently high, to exclude those goods from India?
A. That is the nature of all protection.

Q. And what now will be the effect on prices? Will they rise or will they not rise? Will the prices of that commodity or that kind of cotton cloth rise or not rise?
A. *Mr. Geddis.*—We answer that in question 106.
A. *Sir N. N. Wadia.*—We do not expect the rise to follow in accordance with the duty. It is given in answer to question 106.

Q. You are saying on the other side that even the prices you have given in your Table I will not cover the working expenses of a number of mills. Therefore, if the prices are not adequate even for that purpose, where is the help to the majority of the Indian mills?
A. It is beyond me. I cannot follow you, Sir.

Q. You want protection in order to save the Indian mill industry from the price reducing competition of the foreign goods?
A. Yes.

Q. If the foreign goods are kept out, the result must be either the prices rise to the level you expect or they do not rise. If they rise, somebody has to pay.
A. *Mr. Geddis.*—They may rise to some extent, not to the whole level.

Q. But the question is if they rise by 13 per cent., will the result be that you get then an adequate price or even then only that some of the best mills get part of what they want? If they do not rise even by 13 per cent., the result will be they will not get even a part of what they want. Then where is the benefit to the Indian industry?
A. *Sir N. N. Wadia.*—There is some protection.

Q. But is the amount of protection asked an adequate remedy?
A. *Mr. Geddis.*—Say one or two per cent.

Q. But is the return or the measure worth consideration if it does not give you any relief worth the trouble?
A. Surely it will benefit us. It will help us to some extent.

Q. But is it adequate?
A. I think we discussed that question already very thoroughly.

A. *Sir N. N. Wadia.*—These are theoretical questions.

Q. These are questions of real importance. The Legislature after all has got to settle the point and unless we state clearly what the proposals are and what their economic effects are, it will not look at our report. I want to know what you desire and what you propose.
A. We would like to get the prices up to the level mentioned in column 11 of Table I.

Q. You want to come to that level in column 11? And you yourself say that 13 per cent. duty will not give you that rise.
A. In some cases it will and in some it will not.

Q. Then in that case if it does not give you the full measure that you desire, what is the benefit the Indian industry gets?
A. *Mr. Geddis.*—That is a matter of conjecture surely. That can only be guessed.

President.—Mr. Geddis, the steel industry managed to work out very accurately an estimate of the duty required.
A. It was a very much easier job for them.

Q. But at any rate it has got to be done.

A. *Sir N. N. Waida.*—There are many permutations and combinations.

Mr. Subba Rao.—It is argued by some that protection might even lower the prices and not raise them. Mr. J. A. Wadia argued to that effect before the Fiscal Commission. He

said that the result will be an undue impetus which would bring in more people, more capital and more plant and machinery and that ultimately you might overdo the thing. There might be over production as a result of protection. We want to know therefore what will be the result.

A. *Sir N. N. Wadia.*—If his theory is correct, it will take 20 years before we can produce all the requirements of India. We have to build more mills. We have to shut out everybody else and then this result will take place. It may take 20 years or even more.

Q. You say that the prices will not rise in correspondence with the additional duty. In that case, the benefit is to be measured only by a small rise which will benefit only some of the mills.

A. It ought to benefit every mill.

Q. But not to the extent of the relief they want now; only a small portion.

A. It will materially reduce our losses and help us to a great extent.

Q. The point to be appraised is the relative advantage, the relief to be given to the industry and the burden on the consumer, and you assess it at one anna per head for about 80 per cent. of the population. What will be the money value of that? It comes to about 2½ crores.

A. *Sir N. N. Wadia.*—That is exactly what we worked out. It works out again at the same figure.

Q. That protection though it may not double the price will raise the price sufficiently to give you some relief, not all the relief, against competition. This is on the assumption that the foreign goods are kept out.

A. Not necessarily. Their price level is going up.

A. *Mr. Geddis.*—Their selling price will have to be increased.

Q. By the amount of the duty or part of it?

A. *Sir N. N. Wadia.*—By the full duty.

Q. That depends on their adjustments?

A. Yes.

Q. I think that is the conclusion, that the new duty is not calculated to raise prices to the full extent and therefore it will not benefit the industry to that extent.

A. Not to the extent of 13 per cent.

Q. No, but there will be a rise in prices as the result of this duty?

A. Supposing all the other factors remained equal.

Q. Of course; we are merely calculating now the effects of the duty.

President.—That is the assumption on which we have to work throughout.

Mr. Subba Rao.—A heavy fall in cotton prices might upset it. But that is not the point.

Would you kindly explain this difference between your selling price and the Japanese price in the bazaar? These selling prices are lower than the Japanese prices. In the case of three items your selling price is lower?

A. *Sir N. N. Wadia.*—It is because in drills we are on a par.

Q. In the case of three items you are already in a position to undersell the Japanese?

A. Not undersell. This is the bare price.

President.—To what do you attribute the fact that you are able to hold your own in this?

A. It is only in drills. That is only for the present because the exchange is coming up.

Q. How is it that you are in a better position in regard to those items. In coarser counts you are better able to hold your own?

A. Yes, one of them is 30s.

Q. Your selling price there is less?

A. That may be, but I have discovered this. I have put in certain cloths even at a loss in the market, for instance drills. The moment I put them on the market, down they came to one rupee straight away. The moment our mills enter into competition they drop the prices heavily.

A. *Mr. Saklatvala.*—The same happened with the abolition of the Excise duty. The Japanese prices dropped.

A. *Sir N. N. Wadia.*—These were the bazaar prices. I got the samples of cloth and worked it out. But suppose I put the same cloth in quantities or the market the price will drop heavily against us.

Raja Hari Kishan Kaul.—I will just go back to Question 97 for a minute. Have you any idea of what your proposal to abolish the companies super-tax will mean ? The total super-tax at present is 6 crores and 17 lakhs.

A. *Sir N. N. Wadia.*—Not income-tax ?

Q. No, super-tax. If it is abolished in the case of the cotton industry, it will have to be for all ?

A. We have not got separate figures. We will get them for you, but I think that is the total super-tax. I think the companies super-tax does not come to more than one-fourth of that.

Q. You mean a crore and a half ?

A. I should not think even that. It is difficult to say, but we will look it up.

Q. In regard to Question 104, I assume that you favour the alternative (c), that is, you want the duty to be put on yarn of certain counts and cloth of certain qualities and that this is up to 40s count of yarn and on cloth manufactured from yarn of 40s count and under. Do I understand you rightly ?

A. I didn't quite follow you.

Q. In question 104 there are three alternatives given. Do I understand from the answer that you favour the alternative (c) ?

A. We have not said so.

Q. I want to understand what you say ?

A. I gave the answer to the President's question on this point and I quoted a paragraph, paragraph 15, to show you that when you come to specify certain counts, the point comes where substitution takes place.

Q. That is what I am driving at. I want to know whether you are in favour of the alternative (c) ?

A. I do not know whether it is practical. It is very difficult for the Customs authorities to work it out.

Q. Then you are not favouring it ?

A. *Mr. Geddis.*—We won't say that. We must go carefully into that.

Q. If you are favouring that, we want to know how it is to be done ?

A. *Sir N. N. Wadia.*—We have given you alternative methods in answer to special question No. 1.

Q. You want a heavy duty on low counts, a moderate duty on medium counts and a low duty on higher counts ? We want you to draw the line between medium and high counts ?

A. Coarse up to 24s and medium up to 40s.

Q. In order to get at 40s, would you have to fix the limit at 40s or 42s ?

A. 40s or 42s. When you fix 42s they would bring 44s in. There is always a difficulty.

Q. We saw 42s being manufactured in some of the mills and we discussed this question In order to protect 40s is it necessary to draw the line slightly higher or would it suffice to have it at 40s ?

A. 42s would be better ; 44s would be better still.

Q. 46s is probably still better !

Now, as regards the rise in prices it is obvious that there will be a rise in price if the protective duty is put on. You anticipate a rise of about 6 per cent. in any case ?

A. It is very difficult to say what will be the rise. The whole thing depends on the law of supply and demand, and the markets are very very funny. We cannot emphatically say how the rise will take place.

Q. Would it not be ordinarily limited by the margin at which foreign cloth could be sold inspite of the import duty ?

A. Yes, provided they do not dump, as Mr. Subba Rao suggested.

Mr. Subba Rao.—That will happen even with a 25 per cent. duty.

Raja Hari Kishan Kaul.—We leave alone the question of dumping. Would not the rise be limited by the margin at which the foreign countries could import cloth in spite of the duty ?

A. Some kinds of cloth, to a certain extent.

Q. It would mean ultimately 3 per cent. ?

A. Not necessarily.

Q. You think it will be less. Do you think it will be 6 or 7 per cent. ?

A. It may be less. It may be less than 6.

Q. So that, it will probably be regulated by the price at which competing countries can sell their goods here ?

A. Suppose it pays Japan to make a profit in the cloth which it sells for other markets. Then they can afford to sacrifice for the Indian market and keep our prices low to get rid of their surplus stock. Remember that they are working purposely two shifts. They have to get rid of the extra supply of cloth. It would pay them to dump it even at a loss to keep their mills working.

Q. Therefore the rise in price is regulated mainly by the price at which foreign cloth can be sold ?

A. Is dumped and sold. Not " can be." " Can " means they can do with profit. They will sell.

Q. " Is sold " ?

A. Then again, they are exporting cotton from here. Probably they will want to get money here to buy their cotton and they might sell it or dump it for their cotton. There are a great many other considerations also affecting the whole question.

Q. Mr. C. N. Wadia said that there is no possibility of making further economies. So, an import duty which will enable you to raise the price by about 6 per cent. will not be of sufficient use. One cannot understand how it will enable you to stand on your own legs. If your contention were that a 6 per cent. rise in price coupled with certain economies effected in the present cost of production would enable you to stand on your own legs, it would have been different.

A. The whole position as we see it is that our competitors will be handicapped to a certain extent and to that extent we will get relief.

President.—The point is this. If this is all the relief that you get, the weaker mills will have to go out. They cannot go on. We worked out this morning that even if you get 13 per cent. protection it would only enable the Bombay mills to make even money. 17 per cent. might give them a very small margin, 13 per cent. simply enables the whole of the Bombay mills to get back to a state of equilibrium. Therefore it is obvious that that amount of protection is not sufficient to keep the weaker mills alive. They must go out. Isn't that so ?

A. We come with a humble petition. But you have the example of Great Britain before you. Great Britain from no duty in certain cases went up to 33 per cent.

A. *Mr. Mody.*—I would like once again to point out that we are not asking that our losses should be converted into profits or that our weaker mills should be set upon their legs. All that we are asking is for fair conditions, for fair competition. Therefore so far as our demands go they are only confined to that aspect of the question, namely, that we should be put on a position of equality with competing countries. As to whether that is adequate enough for weaker mills or not is a point which we have not dwelt upon, for the simple reason that that is not the basis of our demand.

Q. It is a good thing to have your point clear at any rate, Mr. Mody.

Raja Hari Kishan Kaul.—In Question 110 you do not deny that there was a rise of prices subsequent to the imposition of the 11 per cent. duty.

A. *Sir N. N. Wadia.*—Cotton was falling all the time.

Q. And yet the price of cloth rose ? In March 1921 the duty was imposed and the price of cloth rose in April, May, June, July, in fact for seventeen months. It began to fall in September 1922.

A. *Mr. Geddis.*—How does that compare with the price of cotton ?

A. *Sir N. N. Wadia.*—But take the next table, on page 101. Cotton had gone up again.

Q. Immediately after the introduction of the duty in March 1921 the price of cloth rose ?

A. Early in 1921 the price was below the average. It is the average for the whole year we have given.

Q. So you do not know when the price began to rise ?

A. About March, I think.

Q. But it coincides with the imposition of the duty ?

A. I will look it up.

A. *Mr. Geddis.*—We can give you the price of cotton in 1921. It started to rise from March. On page 17 of our original statement we have given the figures month by month.

Mr. Majmudar.—In the total cost of a pound of cloth we have been taking 50 per cent. as the cost due to cotton and 50 per cent. due to the cost of manufacture.

A. *Sir N. N. Wadia.*—It varies on page 27 in the original statement that varies very much. When the cost of cotton is high the percentage rises over 50. It was at one time as high as 60 per cent.

Q. The cost of clean cotton at present would come to about 8 annas. The cost of manufacture is also 8 annas. In the case of Japan, as labur is more efficient perhaps the costs will work out in the proportion of 60 to 40. That would be on the basis of 20 per cent. more efficient labour.

A. Only 10 per cent. Or, would you reduce it from the cost of cotton also ?

Q. No. If you take 50 per cent. as the cost of manufacture in India and reduce 20 per cent. out of that, it gives you 40 per cent. as the cost of manfacture in Japan ?

A. Yes, that will be about that.

Q. Then we take the import duty. When the import duty is 11 per cent. Japan might afford to pay Rs. 11 out of Rs. 40 which is the cost of manufacture, which works out to nearly 27 per cent. of the cost of manufacture.

A. In a separate column we have added it. So, you cannot deduct it from the 40 per cent.

Q. I am just trying to show that with 11 per cent. duty, Japan might be able to sell cloth by sacrificing the overhead charges whereas when the duty is put up to 24 per cent. as you are asking for, it would be impossible for Japan to sell cloth in India merely by sacrificing overhead charges. That is what I want to show you.

A. It would be more difficult for them.

Q. I want to see whether these figures would bear out my conclusions. When they are paying 11 per cent. duty on Rs. 100 worth of cloth, that will mean 27 per cent. on 40. If the duty is raised to 24 per cent. it will mean 60 per cent. of the manufacturing costs.

A. What has the manfacturing cost got to do with the duty ?

President.—I didn't quite follow you, Mr. Majmudar. You had better start from the beginning.

Mr. Majmudar.—We will take 100 pounds of cloth costing Re. 1 per lb. The total cost is Rs. 100. The sale price of Japanese cloth also will be Rs. 100. Rs. 60 out of that we have worked out to be the cost due to cotton.

A. Rs. 50.

Q. That was for India. As we are giving Japan an advantage of 20 per cent. higher efficiency in labour their cost of manufacture comes down to that extent. Take Rs. 100 worth of cloth of Indian mills and Rs. 100 worth of cloth of Japanese mills. In India Rs. 50 will be the cost of cotton and Rs. 50 the cost of manufacture. In Japan Rs. 60 is the cost of cotton and Rs. 40 the cost of manufacture.

A. Your percentage is wrong. You have taken 20 Yen.....

President.—9·5 as against 10. It is near enough. You are taking 95, Mr. Majmudar is taking 100.

Mr. Majmudar.—I am referring to the cost of production. I am reducing the cost of production as the labour is more efficient.

A. You put 60 for cotton ? That includes double freight.

Q. So far as cotton is concerned Japan cannot reduce the price of cloth by sacrificing the price of cotton because Japan has to pay for cotton. Japan can pay the duty out of the cost of manufacture and Rs. 40 is the cost of manufacture to Japan. Now, if Japan has to pay Rs. 11 on Rs. 100 worth of cloth, it means that out of Rs. 40, the cost of manufacture, Japan has to sacrifice only Rs. 11 which works out to nearly 27 per cent.

A. *Mr. Maloney.*—But is there not a fallacy in it ? You have taken the same quantity of cloth produced from Rs. 60 worth of cotton in Japan and Rs. 50 worth of cotton in India. You must take the same quantities. I quite agree that it might work out in the same way but it is not a quite correct calculation. I would like to work it out with Mr. Majmudar.

President.—Yes, I think it had better be worked out. The corrected figures are as shown in Annexure E.

Mr. Subba Rao.—You cannot pay the higher duty out of your overhead charges because beyond a certain point you will lose. That will give more elbow room for Indian firms to put up their prices; so the price may rise to the full 13 per cent. That is what I was trying to bring out.

A. *Mr. Mody.*—Or they may find it very difficult to put down goods.

A. *Sir N. N. Wadia.*—They may sacrifice 5 per cent. more here.

Mr. Majmudar.—The percentage comes to nearly 60. Instead of 60 per cent. it may come to 55. But all the same.....

President.—I think what Mr. Majmudar is trying to find out is what duty would destroy the Japanese competition ?

Mr. Majmudar.—Yes.

The price of piece-goods went down in 1923 April to 20 annas per pound and the consequence was that the consumption increased in 1924-25. The price again increased in 1924, again dropped down in 1925 and the price for 1925 was lower than the price in 1923-24. At present the prices are lower than the 1923 level and still the consumption has not increased materially ?

A. *Sir N. N. Wadia.*—Consumption has increased. If you look at table 16 on page 80 you will see that the consumption has gone up.

Q. In 1925-26 it has been reduced although the price went down ?

President.—Mr. Majmudar's point is that there is a lag between reduction in price and the effect on consumption.

A. On page 80 of the statement if you total the last two columns you will see that the consumption has increased.

Mr. Majmudar.—The same figures are brought in here on page 27. Consumption has not increased in 1925-26 although the price has gone down.

A. The trouble is one is for the year ending December and the other for the year ending March.

Q. On page 27 of your reply the total quantity of goods consumed in India is given.

A. *Mr. Maloney.*—It is 1924-25.

A. *Sir N. N. Wadia.*—In table 16 the last figure ought to be 1924-25.

Mr. Majmudar.—On pages 98-99 of your statement you have given the current prices of long cloth. If you look for March 1926 you will find that they are much lower than the prices of 1924-25.

A. There may be some other causes. I suppose the Professor will be able to tell you that, Sir. These are all theories which do not come out in practice.

(b) Other suggestions

President.—We now come to other suggestions. The first question is in regard to the export duty on cotton. Do individual members of the association propose to say anything about that here ?

A. *Mr. Geddis.*—I think it would be better, if there is any difference that we express our opinion individually when the costs of production are examined ?

Q. We only propose to examine you in connection with individuals mills in regard specifically to the cost of production.

A. Witnesses for the Association won't go beyond the printed replies.

Q. You prefer to leave it as it is here ?

A. Yes.

A. *Sir N. N. Wadia.*—The only thing I would like to remark is that there is an export duty on Chinese cotton going to Japan. You might make a note of that. According to the statement of the Japanese themselves before the Fiscal Commission, there is a duty of 10 per cent. on the export of cotton from China to Japan.

Q. Well then, we have nothing to ask on that point. I may remark before passing on to question 118, the question of banking facilities that the Millowner's Association fully realise the difficulties in which the Tariff Board are placed in regard to this question of export duty on cotton by the fact that their opinions are divided.

A. I do not think, Sir, they are divided as to the effect of an export duty, how it would help them in the foreign markets. What they are not unanimous about is what effect it will have on the cultivators. But if an export duty on cotton is placed on Japan it will be the finest thing as far as the mills are concerned, because it will enable us better to compete with the Japanese in foreign markets as well as in our home markets. Therefore we prefer it to that extent and we are unanimous in that opinion.

Q. In regard to the question of banking facilities, there are just two points which should like to clear up. As regards the facilities to cultivators, there is nothing to be said. The Association's views there represent everybody's views The more co-operative banks there are the better.

A. It is practically on the same lines that were put forward in the Cotton Committee's report.

Q. As regards dealers, exporters and jaithawalas, you say that advances might be given up to 90 per cent. of the value of cotton held. I understand that the system is that they are given upto 70 per cent. Is that so ?

A. *Mr. Saklatvala.*—Yes ; as far as I know they are given facilities upto 70 per cent.

A. *Sir N. N. Wadia.*—I understand that is the usual figure.

Q. Don't you think that is reasonable enough, considering the difference in the conditions of the two countries ?

A. *Sir N. N. Wadia.*—I do not see why they should not be given to a higher extent.

Q. It is surely a question of expediency. I have no doubt that if the banks thought that 80 or 75 per cent. was a safe margin, they would be prepared to go up to that.

A. They might give it according to the credit of the dealer to a higher extent.

Q. Don't they make any difference in individual cases ?

A. Some do and some do not.

Q. You say in the third part of your reply to that question, " loans are only granted to mills upon the dual security of the mill and the managing agents ", Is it not due to the fact that the mills will not hypothecate stocks to the banks ? They say " our name is sufficient."

A. *Mr. Geddis.*—I think not. Many mills hypothecate.

Q. Even when they hypothecate their stocks, do the banks still insist on dual security ?

A. Yes.

A. *Mr. Saklatvala.*—I am afraid that the system prevalent in Calcutta and other mofussil places is, the security of the agents is not required if the stocks are hypothecated and on that basis we are taking loans from the Imperial Bank for the Nagpur mills. It is the millowners here who do not like to hypothecate. We have been told that if we hypothecate, the dual security is not required, though our own case is a special case.

Q. What is your experience of the Imperial Bank, Mr. Saklatvala ?

A. In Nagpur we have a system of overdraft by which they give us as much money as we require on a certain basis of hypothecation of our goods.

Q. Hypothecation simply ?

A. Yes, and in Bombay mills the general practice is getting a loan on the mills signature and the Agent's signature without hypothecation. In my own case, Tatas, which is not financially a strong mill, we have got hypothecation. But it is a special case.

Q. You say your experience is that banks are not willing to advance money on one signature *plus* hypothecation.

A. *Sir N. N. Wadia.*—We do not say that.

Q. I am asking you now ; my information is that the banks are quite willing to advance money on one signature *plus* hypothecation.

A. *Mr. Geddis.*—That is the mill signature and hypothecation. In some cases they do and in some they do not.

A. *Mr. Saklatvala.*—That is the common practice in jute mills in Calcutta.

Q. If that is so, what complaint is there in regard to the banking facilities ?

A. *Mr. Geddis.*—That may be the Imperial Bank custom. But other banks in many cases insist on managing agent's signature and hypothecation.

A. *Sir N. N. Wadia.*—But why should we have a different system from England?

Q. The conditions of the two countries are different. It is a question of banking expediency.

A. *Mr. Geddis.*—I do not think there is any hard and fast rule. Some do insist on the agent's signature and also on hypothecation.

Q. It seems to me that as regards banking facilities, a good firm has no difficulty. As regards a bad firm, one can hardly expect the banks to be otherwise than cautious.

A. *Mr. Saklatvala.*—Is it Mr. Geddis's point that beyond the Imperial Bank the other local banks require hypothecation *plus* the agent's signature along with the mill signature ?

A. *Mr. Geddis.*—I said I did not know what the Imperial Bank is doing. Many banks do insist on hypothecation as well as the agent's signature.

Q. I believe the Imperial Bank practice is as stated by Mr. Saklatvala. I should imagine they make no difference between different mills.

A. *Sir N. N. Wadia.*—The hypothecation business is very inconvenient. I know of cases where a bank clerk has to come every morning and give out the cotton which

the mill has to use the following day and deliver the cloth they have sold against the money they receive every day.

A. *Mr. Saklatvala.*—You have given charge of your goods to the bank and the bank has got to take certain precautions regarding manipulations.

A. *Sir N. N. Wadia.*—But why are they not necessary in England ? That is what I wish to ask. There are the same variations there and everything else.

A. *Mr. Geddis.*—I think, Sir, it would be quite right to say that at present banks do not give trading facilities freely to the industries and our industry is in that condition.

Q. In answer to Question 119, you say that 'the Association does not know in what directions their organisation for buying and selling could be improved.' Are there no such directions ? I would invite attention to the answer to question 123 which says 'development in the manufacture of printed goods has not been found possible owing to the prohibitive cost of the special machinery required and the scale on which such an industry would have to be established.' Is not that a form of organisation which suggests itself to the Millowners' Association as a whole, or to a large body of it ?

A. *Sir N. N. Wadia.*—No Sir. There are two different questions as regards printing. The position as far as I understand it is that the main cost of printing goods is for copper rollers. Unless we had practically a world market that is one where the designs were used all over the world it would not pay us, because the fashions change so rapidly that the cost of copper rollers cannot be sufficiently met. We want very much extended markets for that purpose. Block printing has been tried and probably may be successful to a certain extent. But roller printing, I am afraid, will not succeed for some years unless we are able to build up our export markets.

Q. Is block printing being done at the moment in India ?
A. Yes; hand block printing.

Q. Is Japan doing much in the way of printed goods ?
A. I saw a couple of samples a few days ago; that is the first time I have seen them.

Q. Block printed ?
A. Yes; block printed.

Mr. Majmudar.—Is Italy developing that trade ? India takes a lot of printed goods.
A. Yes, but the same patterns must go to all other places.

Q. What is the cost of copper rollers ?
A. Some thousands of pounds.

Q. The same copper rollers can be sent back for changing designs.

Sir N. N. Wadia.—Only twice I think.

Q. Would you not be able to manufacture such a big quantity for one roller that the cost of replacement of the roller would not work to a very big charge on the cloth ?
A. Yes, if we had a wide market.

Q. Even if you take the Indian market into consideration ?
A. Have you tried it in Sholapur ?

Q. We have not tried but we are thinking of it.

President.—As regards the question of organisation, have the Millowners' Association at any time considered the possibility of having its own trade agents abroad or even in India ?

A. If we were millionaires we could afford to send.

Q. Cannot the millowners do anything by combination to bring pressure to bear on steamer and railway companies ?
A. I have spoken to one or two shipping owners and they have referred the matter to England.

Q. In regard to Question 122, do you consider that Bombay mills pay sufficient attention to the Calcutta market ? I can only say generally that in going round these mills I have been told by a great many gentlemen who worked in them that you could do more in that way. Does any managing agent ever go to Calcutta to enquire about the needs himself ?
A. One of my partners goes.

A. *Mr. C. N. Wadia.*—I have been many times to Calcutta.

Q. For that purpose ?
A. Other purposes as well.

A. *Sir N. N. Wadia.*—In my case, my partner goes for that very purpose

Q. Is this a general practice ? We cannot judge from individual cases. Is it a general practice ?

A. *Mr. Saklatvala.*—I do not think it is a fair comment. We have travelling agents and the agents go round all these districts and we are doing everything to explore the markets to the best of our ability. We are on the spot everytime.

Q. The only point is that it does seems to me to make a difference if the head of the firm goes round occasionally.

A I have been there last year and the year before and I have made a point always of visiting the shop and going round the city. Beyond my own exertions, we have travelling agents and we have our own shops there.

Q. I can only mention that as a criticism which has been mentioned to me many time ever since I had any connection with cloth.

A I think you saw many of my shops in Calcutta.

Q But we cannot generalise from particular instances. I want to know whether you consider on the whole that more might not be done to study the requirements of the Calcutta market.

A. *Mr. Mody.*—Many mills have got their own shops distributed in all important centres in India and thereby they are kept in touch with the requirements in other markets to a very considerable extent, even where agents do not pay personal visits.

A. *Mr. C. N. Wadia.*—We receive many pieces of advice from labour gentlemen such as Mr. Joshi and others. We receive many disinterested pieces of advice. All I say is that if we do not go and shake hands with every workmen,—there are 5,800 in my mill,—it does not mean that we are not doing everything. These disinterested pieces of advice are somewhat hard to comply with.

A. *Sir N. N. Wadia.*—There is an association in Lancashire called the Federation of Master Cotton Spinners and then there is the Calico Printers Association. There is a Federation of Master Cotton Spinners in each centre of the cotton industry and it has its own association and a great number of mills are members.

President.—Do these associations do anything for their constituents which you do not ? Have they any research committees or anything of that kind ?

A. *Mr. Maloney.*—Not directly, they give contributions to the national research institute and special research institutes instituted by Government. But they do not do their own research work.

Q. There is no research work being done on behalf of the cotton industry in England except through the ordinary Government Department, nothing by the cotton industry itself ?

A. *Sir N. N. Wadia.*—Sir Edward Lee has got a research institute.

Q. That is an individual. What sort of work is done there ?

A. I am not able to say.

Q. Is there any chance of Government being able to help in that way ?

A. I think the research work in England is merely preliminary at present.

Raja Hari Kishan Kaul.—As regards Hyderabad Halai tax, is it a fact that Hyderabad cotton finds its proper relative price only when it is exported ?

A. *Sir N. N. Wadia.*—There is only one mill in Hyderabad.

Q. And it finds its relative price after it has paid the export duty. That is, its price inside Hyderabad State is the outside price less the export duty. That is, the export duty has to be paid by the grower. It comes out of his pocket ?

A. The Bombay merchants when they buy the cotton calculate that.

Q. They pay the relative price and the grower has to pay the duty?

A. If there were a flourishing cotton industry in Hyderabad, then it would not fall on the grower. It is because there is no industry there, it falls on him.

Q. You say the conditions are not the same as regards the whole of India ?

A. *Mr. Geddis.*—Certainly not.

Q. You suggest an export duty of Rs. 5 a bale which if paid by the grower would mean about as. 5 a maund on raw unginned cotton or if paid by the exporters, about 3 per cent. ?

A. *Sir N. N. Wadia.*—We cannot give an answer to that.

Q. You are also aware that occasionally the difference in price of Indian cotton and American cotton in Indian market is very small ?

A. It depends on the quality.

Q. The difference is about a penny or two-pence.
A. To-day it is ½*d.*

Q. So that a considerable rise in the price owing to an export duty, which would raise the price to the exporter, would result in the American cotton coming perilously near the Indian cotton ?

A. There again the law of supply and demand comes in. I am only arguing from an individual point of view, not on behalf of the Association. If the export duty is levied and cotton is sold and the price to the exporter is increased to that extent, he may substitute for the time being American cotton. American cotton, being more in demand, will go up automatically in price. Then the demand will be for Indian cotton and so on. Thus the circle works round.

Q. But it may not go round in the same quantity or at the same prices.
A. *Mr. Geddis.*—It is an economic question of which all the facts are not known and in regard to which we cannot come to the same opinion.

Q. I find by comparing these two prices of cloth and cotton in 1921 that the price of cotton in March and April was the same, page 17 of your statement. According to the other statement the price of cloth rose in April 1921, while the price of cotton remained exactly the same. I was told that the rise in cloth after the imposition of the import duty harmonised with the rise in price of cotton. I find that the price of raw cotton rose in May while the price of cloth rose immediately after the imposition of the duty, that is in April.

Mr. Subba Rao.—With regard to Q. 119, just a small point about mill stores. There was an article in the "Indian Textile Journal" for April suggesting that there was room for improvement in the methods of purchasing mill stores. I suppose you, gentlemen, have read the article. The suggestion made was that there were certain defects and there was some scope for improvement. You think it is possible ?
A. It may refer to some mills but not to all mills.

Q. You think the present methods are quite efficient and need not be replaced by a central organisation ?
A. As far as I can speak for my own mills, I know exactly what I am selling to other mills and what I am selling to my own mill.

Q. Speaking generally of Bombay mills, what is your opinion ?
A. We stand in good competition with other dealers.

President.—One of the points raised in that article, if I remember correctly, was in regard to purchases by managers. Do you in your capacity as an importer of mill-stores deal with mill managers or with managing agents ?
A. Managing agents mostly, and in our own office, for our own mills.

Q. What is the general practice ?
A. I think in most of the mills, the managing agents themselves purchase the stores.

Mr. Subba Rao.—In answer to Q. 121 you make the statement that there is a constant change in demand from month to month and year to year. My impression was that the demand is more or less stationary in India and that it does not change so rapidly. May I know in what respect you get these changes in regard to the Indian cloth, because the samples we have seen are so uniform ?
A. This year the business in one kind of cloth may be brisk and next year another kind. Two years ago we were in the position that we could not sell a particular kind.

Q. Is it only a question of the size of the cloth ?
A. The size of the cloth and the nature of the cloth.

Q. You speak of variation from month to month. Is there any difference in kind month to month ? You are opposing the suggestion that there must be specialisation of production by saying there is so much of change in the demand. I presume the change you speak of is not so much in volume as in kind. Or is it merely in volume ?
A. I gave the example of narrow looms and wide looms. Sometimes we cannot find work for the narrow looms and sometimes for wide looms and this variation is sometimes month by month. As far as bleaching is concerned, it comes in certain seasons. Coloured cloth will go in certain seasons.

Q. You know these changes are seasonal in demand and in that way they admit of specialisation.
A. Sometines it varies.

Q. Am I to understand that things are so uncertain that even experienced people cannot say what goods are required in particular seasons ?
A. Yes; it is so.

Q. In regard to Q. 126, can you suggest any methods of assisting the industry other than those which have been referred to ?

A. There is a method in my opinion which you can enquire into more regularly. I wish I had more time. If you refer to the Fiscal Commission Report, paragraphs 133 to 136, they practically describe a similar position in which we find ourselves now, especially the definition of ' dumping.'

Q. That takes us back more or less to the import duties. But a question has been asked whether they are selling to the foreign consumer at a lower rate than to the domestic consumer. We have no evidence as to that being done.

A. If you refer to the evidence before the Fiscal Commission you find that the Japanese themselves have acknowledged that during that year they were selling 20s yarn cheaper in Bombay than what the Bombay mills have been producing.

Q. You say in answer to Question 17 ' the Association is of the opinion that yarn and piece-goods imported from Japan are frequently placed on the Indian markets at prices which do not cover their cost of manufacture in India. The Association cannot say definitely that the prices of piece-goods imported into India from Japan and other countries are lower than the prices at which similar goods are placed in other foreign markets.' But if you read paragraph 135 of the Fiscal Commission Report you find ' the most ordinary way in which dumping may arise is as the result of over production, a sudden fall in demand leaving a surplus stock to be disposed of. Instead of reducing output too drastically it may pay manufacturers to continue producing quantities somewhat in excess of the real demand, and to get rid of the surplus at almost any price they can obtain.'

A. I know ; but is it done ? According to the statements we have placed before you and especially the table you have been criticising.....

Q. I was not criticising, but I was only discussing it with you. There can be no question of criticism.

A. Yes ; that question which we have been discussing. Further on in the same paragraph it is stated ' but it is possible that this process may become more systematic. In a country in which the home manufacturers have in consequence of a tariff a monopoly of the home market, and can thus keep up prices there, and in an industry which benefits by mass production, it may pay the manufacturers to produce much larger quantities than can be consumed in the home market, provided the surplus can be disposed of at a price which covers the bare cost of manufacture.' The Fiscal Commission goes much beyond.

Q. I do not think anybody doubts the possibility of dumping as defined here. One wants some specific instances of such dumping.

A. But don't you think that it comes under this consideration that " it may pay the manufacturers to produce much larger quantities than can be consumed in the home market, provided the surplus can be disposed of at a price which covers the bare cost of manufacture."

President.—Have you any information as to the proportion of Japanese production, its supplies to the home market and its exports ?

A In the evidence they gave before the Fiscal Commission they state about the counts.

Q. I am not talking about the counts but about the quantity. Have you any evidence to show what quantity of Japanese goods is placed on the home market and what quantity is exported ?

A. *Mr. Mody.*—We can give you the figures, though not at the moment.

A. *Sir N. N. Wadia.*—But you might study this paragraph.

Q. We have naturally studied the Fiscal Commission's Report as it is the report which is responsible for our existence.

A. But this paragraph is very important, because it refers to Canada, Australia and South Africa.

Q. If you suggest dumping, it is for you to prove it.

A. Don't you think it comes under the definition of dumping ?

Q. No ; I do not.

A. " In a country in which the home manufacturers have in consequence of a tariff a monopoly of the home market " which the Japanese have got, " and can thus keep up prices there and in an industry which benefits by mass production, it may pay the manufacturers to produce much larger quantities than can be consumed in the home market provided the surplus can be disposed of at a price which covers the bare cost of manufacture.

Q. Exactly. Have you any evidence to show that the price at which the Japanese are placing their goods in the Indian market covers the bare cost of manufacture ? That is the point.

A. The price which we have shown as C. I. F. price, we consider that it must be their cost of manufacture.

Q. But you have got to prove it, to show that there is dumping.
A. Perhaps you could investigate this when the Japanese gentlemen come to you.

Q. I am not aware that they are coming.
A. They have sent in the statement.

Q. But they have not expressed any desire to give oral evidence.
A. I am really surprised.
A. *Mr. Mody.*—We have already said that we are not in a position to prove dumping.

Q. What do you want us to do, merely to study the paragraph ?
A. *Sir N. N. Wadia.*—Study and enquire and enact laws.

Q. Enact a Safeguarding of Industries Act ?
A. Yes.

Q. Do you want it in lieu of the protection you have asked for ?
A. Personally I would prefer it.

Q. In that case it is for the industry to prove dumping. It is not for us to do it. We are here to examine the facts placed before us. If an industry alleges dumping and wishes us to recommend the enactment of a Safeguarding of Industries Act, it must prove the existence of dumping.
A. Sir, it shows that even the Australian Government is more alive than our own Government.

Q. We really are not here to discuss the actions of Governments but to enquire into the condition of the industry.
Mr. Subba Rao.—Can you make any suggestions as to the distribution of Government contracts ? People have said in one or two places that they had difficulties in getting Government contracts. Are not tenders called for ?
A. I do not think many mills in Bombay have got contracts.

Q. Those who have secured the contracts may probably have specialised in those lines.
A. Unfortunately, Sir, unless the Military Department and the Government Departments revise their rules of inspection and give us and the Chambers of Commerce or some other public body an arbitration in this matter, only favoured companies will get those contracts. Nobody else will dare to take those contracts. That is where the trouble is.

President.—The position is that under the present conditions, the Bombay mills do not tender.
A. Because the arbitration rules are not fair.

Q. We have these special questions to deal with before we disperse. The first question is a scientific tariff as opposed to the general increase in duties. It really is very difficult for us to decide what it is that the mill industry wants exactly. In regard to this in one place you recommend the adoption of a scientific tariff so that the goods which Indian mills can manufacture and supply to India shall not be open to unfair competition from foreign countries ; and you say that a scientific tariff means a tariff by counts ; and in another place you ask for an *ad valorem* increase. Which is it that you really suggest, a general *ad valorem* increase or a scientific tariff, because the two things are not the same ?
A. They are alternatives.

Q. They are not alternatives. What you ask for in your original representation is a scientific tariff. What you hint at in paragraphs 128 and 129 is an *ad valorem* tariff. I want to be quite clear before you disperse which it is that the millowners ask for.
A. They are alternatives.

Q. Then they are alternatives. That is the position. They are merely alternatives. The Millowners are indifferent as to the form in which protection is given.
A. We showed you figures of outturn. We showed you the difficulty of the alternative.

Q. You have. I think there has been some discussion between Government and the Millowners as to the possibility of working out a specific tariff. The Millowners' Association, I believe, appointed a sub-committee to enquire into this and they gave it up in despair.
A. They have not given it up in despair. They appointed a special committee lately but have not framed absolutely definite proposals.

Q. If you would work a scheme out and place it before us at a later stage, we should be very glad. I think you agree that only under a tariff which imposes a specific duty can the actual extent of the competition of imported goods with Indian piece-goods be determined. You accept that view. Isn't that so ? You accept the view that only

under a specific tariff can the exact extent of the competition of imported piece-goods with Indian piece-goods be determined ?

A. That will take 10 years.

Q. But that is so, is it not ? The two things have to go together. In the first place you have to separate bleached and grey goods.

A. *Mr. Maloney.*—The basis upon which duty was levied would be the same.

Q. The last question is about this additional 4½ per cent. you want to put on to provide for depreciation of plant and machinery. You ask to be placed in an equivalent position with other countries and you say that to place you in an exactly similar position you want 13 per cent. additional protection *plus* 4½ per cent. duty to allow for depreciation.

A. *Sir N. N. Wadia.*—In exact relation as to cost.

Q. But surely the Japanese prices, or prices of imported goods include provision for depreciation of plant and machinery. Therefore under your suggestion you would be given an additional 4½ per cent. more than is necessary ?

A. Not necessarily. Some good mills may get some profit.

Q. It is merely a present so to speak. It is something additional. The cost of the goods against which you are competing includes provision for depreciation of plant and machinery. Therefore when you ask for an additional 4½ per cent. you are asking for something extra.

A. They may dump down goods even without calculating that.

Q. They may do so, but you have no evidence that they are.

There is one other point before we part. I think in the course of the evidence it has been stated that no mills in Bombay are at present working at a profit. Is that an exact statement of the present position. It has a most important bearing on our enquiry and if before we meet again you could provide us with some evidence on that point it would be of material help.

A. Our statement is that at the present price of cloth no profit can be made. Conditions change from day to day. It is not a stable condition with us. We are not sure what will happen next week.

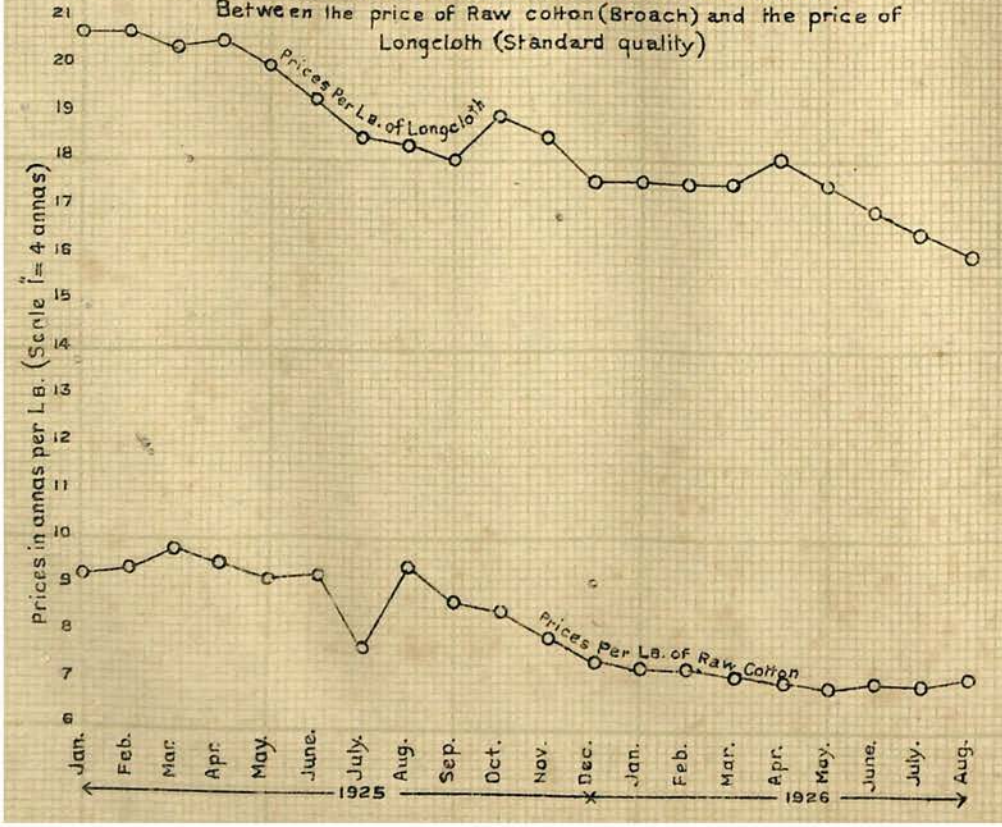
Q. I take it then that the statement has really to be qualified and that in your opinion at the present price of cotton and at the present prices of cloth, no mills in Bombay can make a profit. Is that not a more correct statement of your position ?

A. Yes.

Annexure A.

GRAPH SHOWING THE RELATION

Between the price of Raw cotton (Broach) and the price of Longcloth (Standard quality)



Months.	Price per Lb. L.cloth	Price per Lb. of Cotton	Difference.
1925			
January	20.75	9.3	11.45
February	20.75	9.4	11.35
March	20.5	9.8	10.7
April	20.5	9.5	11
May	20.	9.1	10.9
June	19.25	9.2	10.05
July	18.5	7.7	10.8
August	18.25	9.4	8.85
September	18	8.7	9.3
October	19	8.5	10.5
November	18.5	7.9	10.6
December	17.5	7.4	10.1
1926			
January	17.5	7.3	10.2
February	17.5	7.3	10.2
March	17.5	7.2	10.3
April	18	7.0	11.
May	17.5	6.9	10.6
June	17.	7.0	10.0
July	16.5	7.0	9.5
August	16.	7.1	8.9

ANNEXURE B

Average daily wages of labourers in Japan

Kind of Employment	1922	1923	1924	1925
Textile Industry	Yen	Yen	Yen	Yen
Silk-Reeler (Female)	1·02	0·93	0·96	0·95
Cotton Spinner (Female)	1·11	1·07	1·10	1·13
Silk Thrower (Female)	0·90	0·90	0·91	0·88
Cotton Weaver (Machine) (Female) ..	0·99	0·95	0·94	0·97
Silk Weaver (Hand) (Female) ..	1·12	1·05	1·16	1·15
Hosiery Knitter (Male)	1·78	1·71	1·75	1·76
Hosiery Knitter (Female)	0·8	0·87	0·92	0·91

Extracts from the *Twenty-fifth Financial and Economic Annual of Japan*, 1925, page 73.

TABLE OF MONTHLY RETURNS OF THE JAPAN COTTON SPINNERS' ASSOCIATION FOR THE YEARS 1921, 1922, 1923, 1924 AND 1925

(Compiled by the International Federation of Master Spinners' and Manufacturers' Association, Manchester)

Year	*Spinner* Average wages per shift per hand in pence
1922	31·06
1923	29·51
1924	30·15
1925	30·56

Extracts from the *International Cotton Bulletin*, July 1926, pages 586-87.

ANNEXURE C

Yesterday Mr. Subba Rao criticised the conclusions made by the Association that India had lost ground in the export trade in grey piece-goods owing to the rigour of grossly unfair Japanese competition.

Mr. Subba Rao expressed the view that as far as Siam was concerned, the figures of exports from Japan given in paragraph 119 of the Association's original statement showed that in that market, at any rate, Japan also had lost ground during recent years. Upon examination of the figures in question, it is now found that owing to a printer's error, the value of the piece-goods imports into Siam from Japan for 1922 were given as Yen 12,362,544 whereas the actual figure was Yen 1,362,544.

The corrected figure goes to show that in Siam, as in every other foreign market, Japan has been making progress at the expense of India.

(The correct figure is given in Table 19F, page 86 of the original statement.)

ANNEXURE D

Estimate of the present cost of a complete mill consisting of 30,288 ring spindles and 1,000 looms for average 20s counts.

	Rs.
Land	9,00,000
Building	15,35,210
Spinning and Weaving Machinery consisting of Engine, Boilers, E onomisers, Boiler Feed Pump Callenders, Hydraulic Pressing Plant Hydrant Fire Service, Sprinkler, Humidifier Installation, Electric Light, Pipes, Accessories, etc.	30,11,503
Total ..	54 46 713

Annexure E

Basis of Calculation—100 lbs. of Cloth

Distribution of costs

India		Japan			
	Rs.		Rs.		
Cotton at annas 8 per lb.	50·000		50·000		
		Freight at 3·16 yen per bale.			
		Exchange at Rs. 130 per 100 yen			
		on cotton ·79 yen	2·054		
		on cloth ·79 yen			
		Landing charges, etc. (assumed.)	1·000		
			53·054		
Commission and Brokerage.	3·290		3·290		
Manufacturing charges (Page 27 of Mill-owners' Statement.)	44·609	Assumed 80 per cent. of 44·609 due to better efficiency only and *irrespective of exchange varixtions.*	35·687		
Total cost ..	97·899	Total cost ..	92·031		92·031
Sale price approximately.	100·000	Import duty at 11 per cent.	9·910	at 24 %	19·355
		Total cost ..	101·941		111·386

In order to sell at Rs. 100 when the import duty is 11 per cent. the Japanese must therefore sacrifice Rs. 1·941, which they can easily do out of overhead charges. If the import duty was 24 per cent. the Japanese would have to sacrifice Rs. 11·386, which would not be possible out of overheads and could not be taken off of cotton costs.

Witness No. 1

THE BOMBAY MILLOWNERS' ASSOCIATION, BOMBAY.

Further Statement submitted on the 22nd October, 1926

[*N.B.*—For easy reference the specfic demands for information made by the Tariff Board are printed here in the form of questions and the considered replies of the Association are printed as answers.]

Q. The point we are trying to get at is this. You say that to a large extent it is the loss of the China market in yarn that has brought about your present troubles, and we are trying to ascertain how it produced your present difficulty. Also you say that you were selling yarn in China at sacrifice prices, but there is no evidence of that in your original representation.

Q. But can a trade be said to disappear in which the export continues on an increased level for fifteen years after the cause of dislocation ?

A. It is somewhat difficult from the record of the oral evidence to ascertain upon what specific points further information is required regarding the loss of the China trade, apart from the demand for specific proof that the industry, after the currency change of 1893, had to sell yarn at sacrifice prices and it is therefore proposed to restate in as simple terms as possible the Association's considered views on the effect of the currency change in 1893.

The Association's contentions are that after the closing of the mints to the free coinage of silver in 1893, followed by the adoption of a gold standard in 1898, and chiefly owing to these two factors the Bombay mills were handicapped in their yarn trade with China, and that this trade became —

(*a*) very speculative and
(*b*) unremunerative and
(*c*) was finally killed by the competition it had to meet owing to the growth of the spinning industry in Japan and China itself.

At the outset it should be stated that the Association has not in its possession nor would it be possible to obtain figures as to the actual prices at which yarns were sold to China for the fifteen years following the closing of the mints in 1893. No mills maintain records of prices for more than one or two years, and in this connection therefore the Tariff Board will have to rest content with the more general statements which we have in our possession.

Up to 1893, it cannot be denied that the China trade in yarn was the bulwark of the prosperity of Bombay's cotton textile industry. Until the end of 1892 the statistical records of the Association show a constant and steady rise in the volume of yarn exports to China. The fluctuations in the value of the rupee in terms of 'Taels' or 'Chinese silver dollars' up to this time was within narrow limits, the value of all three coins being based approximately on the value of their silver content and the number of rupees per 100 dollars or 100 Taels was fairly constant. In 1893 the ratio of value existing between Chinese and Indian currency was altered to the detriment of the export trade in yarn as was admitted by the Government of India. Had the new ratio brought about by the closing of the mints been maintained at a regular level it might have been possible to adjust the trade to the new exchange level after a period of years, but since China retained a silver currency the fluctuations of China-India exchange were wide and erratic as may be, to some extent, judged from Table 17 of the Association's original written statement to the Tariff Board, which shows variations from Rs. 119½ to Rs. 226 per 100 dollars and to some extent indicates the speculative nature of the trade after the currency change of 1893.

It has been argued by the members of the Tariff Board that from 1898 Japan has been in the same position as India as regards the speculative nature of trade with China, but this is not the case owing to the closer proximity of Japan to the Chinese markets and the lesser risk of exchange variations in the lesser time it takes to ship yarn to China from Japan as compared with India.

The contention that the trade with China was generally unremunerative after 1893 has been questioned by the Tariff Board chiefly owing to the fact that on the whole the volume of exports from Bombay increased considerably between 1893 and 1905. For the first few years after the currency change the unremunerative nature of the trade is not in question. The Government of India themselves admitted it in 1895 when the Finance Member of the Government of India stated :—

> "I need only say that India as a manufacturing country is not yet out of her tutelage, and if any industry in the world deserves protection, it is the cotton industry of India, the only real indigneous industry, which has sprung up in this country, an industry, moreover, on which our present currency difficulties have compelled

us, in the interests, as we believe, of the country generally, to inflict a certain amount of injury."

1895.—In the Association's annual report for 1895 the following statement is made :—The increase in the number of looms is noteworthy as showing a tendency to bestow greater attention to the requirements of the country itself and therefore to place less dependence on the export trade in yarns.

18 6 and *1897.*—The industry was dislocated owing to the effects of plague and famine. In the review of the trade of India for 1897-98, the following statement appeared :—

"The export trade to China increased though with a fall in prices the value diminished, and the trade in piecegoods showed a serious decline."

1 98-99.—The following is an extract from the Review of Trade of India for 1898-99 :—

"The exports of yarn during the year were on a very large scale but prices maintained a downward tendency following on a fall in the preceding year....."

"Until the second half of the year, or rather until the third quarter, the course of Indian trade was on the whole prosperous and promising, although the cotton manufacturing industry in Bombay seemed to be reaching a critical stage....."

"The importations of machinery and millwork only reached a value of Rs. 2,541,903 last year, this sum being about 17 per cent. below the value of the preceding year. The reduction is most marked in Bombay where the importations of the preceding year were unusually large; but the reduction is much more than a reaction after excessive supplies, and must be assigned to the condition of the cotton spinning industry in Bombay in the closing months of the year. In a state of things which may be inferred from the fact that for many months past several mills have been entirely closed down while many others have been working short hours, not much inducement was to be found for the construction of new mills, or for additions to the capacity of mills already in existence. The cotton industry in Bengal was also in a similar case."

1899-1900.—The review of the trade of India for this year states :—The rise in the second half of the year in the price of Indian cottons, following on the extensive failure of the crop, made it possible to import from abroad superior cotton at a range of prices but little higher than those of the short-stapled Indian cotton. At the same time some of the more thoughtful and prescient of the millowners arrived at the conclusion that it would be expedient not to depend too exclusively for support on the Chinese yarn market, and that there was an opening in the Indian market for profitable enterprise in the manufacture of goods hitherto supplied from England.

Further on, in the same report it is stated :—Unfortunately as regards the most important of these, the exports of cotton yarn, it cannot be said that the increased exports are synonymous with a profitable trade.

Review of trade of India, 190 -01.—The contraction of the trade in cotton yarn is one of the most unsatisfactory features of a year in which trade showed little that was satisfactory.....While the spinners did so badly the weaving mills were, on the whole, fairly well off, though the production was not quite equal to that of 1898-99, it was larger than that of 1899-1900.

In 1900 the late Sir Vithaldas Thackersey reviewed the position of the cotton textile industry in Bombay since the closing of the mints in 1893 and in the course of his speech stated :—

"Consequently the effect of the currency legislation alone, taking all things as equal, has been to give bounty to our competitors in the Far East to the extent of 10 1/3 taels per bale, deduct from that about 1 1/3 taels per bale, which they must pay more for stores imported from England. Also wages in Japan have increased to the extent of 10 taels per bale. Still the advantage in favour in Japanese mills is 8 taels per bale. Now, may I ask, in face of these figures, is it a matter of surprise that since 1893 our trade has gradually been falling in competition with the Chinese and Japanese mills. I know that we have shipped to China during the last two years the largest number of bales we ever did. But the question is, at what margin of profit? Everyone will admit that there was no profit to us while the Japanese and Chinese mills were declaring 10 per cent. "dividends to their shareholders. When the stock in China is reduced we may yet sell our yarn at a profit. The Chinese and Japanese mills may have certain drawbacks at present which might give us a temporary advantage but on broad consideration of all circumstances my humble opinion is that we hold the China market on mere sufferance only as long as Japan and China cannot supply their own demands and that in the near future our trade with China must suffer when the mills there must increase by leaps and bounds to supply the requirements of China. Let us hope that that day may never come, but if it does come we shall have to thank the Government of India for their Currency Legislation."

The under-quoted extracts from the Association's report for 1900 also bear out the fact that the China yarn trade had been unremunerative since the closing of the mints in 1893 and had led to the spinning of higher counts and the production of cloth for the Indian market in preference to entire dependence upon the speculative yarn trade with China :—

> "The continuous intensification of the competition waged by the Japanese and Chinese mills in those markets on which Bombay formerly depended, has become insupportable under the conditions hitherto prevailing, and has forced many of the Indian mills to adopt their methods to the new requirements. Many spinners have resorted largely to the higher counts, and this has brought about an increase in the imports both of Egyptian and of American cotton. But the difficulties that threaten the future of the spinning industry, when Chinese mills shall be making yarn from indigenous cotton, have led to the erection of many looms and to the energetic inauguration of an expanded weaving industry which, it may be hoped, will, before very long, make the country more independent of foreign cloth imports. It is unnecessary here to enter upon the well-worn theme of the political troubles in South Africa and China, which have so adversely affected the interests with which your committee is indentified. Nor is it desirable to attempt, in this place, to define the exact measure in which the confirmed stability of the rupee exchange handicaps the country in its competition with those countries of the Farther East where silver circulates at its metallic value. It is enough to mention them to complete the tale of the difficulties under which the industry has laboured, and to show that these difficulties were not of a kind which your Committee could hope to mitigate by any steps or representations."

At the annual general meeting of the members of the Bombay Millowners' Association held on Friday, 3rd May 1901, the late Sir (then Mr.) Sassoon J. David said :—

> "There is no doubt that the industry has passed during last year, and is still passing, through a very grave crisis, resulting from an extraordinary combination of evils. The coincidence of heavy stocks in China, with dearness of cotton, and political disturbances in the Far East, constitutes quite an exceptional condition of difficulty. But to my mind there is, over and above all these, one indirect cause, which has been primarily instrumental in bringing about the present serious depression, *viz.*, the result—the so-called 'success' of the currency legislation of 1893. It is my firm belief that even if the direct causes were absent or could be removed, this legislation in itself would have acted, and unless it be removed, will continue to act in a manner most adverse to the industry. At the time when the Herschell Committee recommended the closing of the mints we were told that the export trade of India with silver using countries would suffer. As a matter of fact, I believe that the export trade of India, including that with the gold-using countries, is suffering to the enormous extent of at least 25 per cent. as an indirect tax consequent upon the legislation. It is not our present concern, however, to touch upon this question in its relation to the general trade of India, and I therefore confine my remarks to the points which particularly affect the mill industry. My friend, Mr. Vithaldas in his speech last year endeavoured to show by figures to what extent the industry was handicapped by the closing of the mints in its competition with the Japanese mills in our principal market, *viz.*, China. I must confess I myself was among the members who were sceptical as to the correctness of Mr. Vithaldas's deductions, and remained so until I went into the matter most thoroughly and carefully. I have now done so and I am fully convinced that in comparison with Japan we are at a disadvantage to the extent of about $8 per bale of yarn laid down in China. It is evident that continuous competition under such conditions is impossible. I will almost venture to predict that unless these conditions are removed we shall be forced—and that in the near future—to bid good-bye to the China market and be compelled to turn our entire energy to the supply of the requirements of the Indian market in the manufacture of finer yarn and cloth."

Again in the Association's report for 1901 the speculative nature of the China yarn trade is stressed. Mr. John R. Greaves, Chairman of the Association, presiding at the annual general meeting of the members of the Bombay Millowners' Association held on Thursday, 24th April 1902 said :—

> "The great factor at present disturbing our Indian yarn trade with China is the constantly declining value of the dollar and the tael owing to the continual fall in the price of silver, which has this week declined to $23\frac{1}{16}$. It would be interesting to know to what extent silver could fall, as under present conditions for finance for the bulk of the trade every decline adversely affects our rupee

values, though conversely any rise would appreciate our rupee eqivalents. the previous lowest point touched by silver according to a statement kindly supplied by the Chartered Bank, Bombay, is recorded in August 1897, when the sterling price was 23¾ and the Shanghai Tael rate Telegraphic Transfers on India 171. To-day's price of silver is 23⅞ and Shanghai Tael rate is 172½. China does not appear to be in any position to follow the example of other countries in placing its nominal coinage on a gold basis. From the Chinese point of view there is no necessity for any alteration, as the e ports and imports are said to approximately balance if the overland trade is added to the sea-borne traffic. Illustrative of the effect of the fall in silver, I may mention that to-day the price of 20s Indian yarn is 92 taels against an average value for many years past of 63 taels. So the present offtake of Indian yarns at the high price to the Chinaman as expressed in taels is a source of gratification to merchants and spinners. In the meantime, there does not appear to be any practical method for the Indian shipper to protect himself except by discounting the Bombay local value of yarn. The delivery of yarn sold in China is attended with a varying degree of latitude, in time, hence a difficulty in making forward remittance contracts."

Review of trade of India, 1902-03.—While the prices of yarn were maintained both the raw material and coal were cheaper; and the main impediment to the trade with China, where there was a good demand and the stocks of yarn were reduced, was the fluctuations in the price of silver and the consequent uncertainty as to exchange.

Review of trade of India, 1903-04.—The crisis in the cotton industry has been less acute in India that in other parts of the world and was later in making itself felt, for the shipments of yarn to all countries, as also to China which took 93 per cent. of the total, were for the first nine months of the official year, or the whole of the calendar year 1903 the largest recorded. But in the last quarter of the year the position changed very much for the worse, the rising price of raw material, of which very large quantities were being exported and the small advance in the price of yarn making profitable working difficult or impossible, so that exports declined and several mills either closed or worked short time..... Weaving is certainly the most profitable branch of the textile industry but its progress is not rapid.

In the 1906 report of the Association is found further proof of the unreliability of the China market in yarn, and the tendency to turn more and more to the production of woven goods for the home market as may be judged from the following extract :—

"As might have been expected from the brisk trade that we have had for the last two years, there has been a large increase in the production both of yarn and cloth. The increase for the whole country amounted to no less than over 10 crores of pounds or 250,000 bales of yarn and 1½ crores of yards in cloths. It is noteworthy that, notwithstanding the large increase in the production of yarn, we shipped last year to China 55,000 bales less than in 1905. The present depression of the yarn trade cannot, therefore, be wholly accounted for by any excessive exports from Bombay. The steady increase of yarn production in China itself and the increase in the exports from Japan have deprived us of the practical monopoly which we used to have in the former country, though we are still the largest suppliers to its market. This circumstance, combined with the great fluctuation of exchange and the famine in China has brought depression in our China market. Sold goods could not be cleared and the natural reluctance of middlemen to hold any considerable quantity of stock in such a market had the effect of accumulating stocks in the central markets of Hongkong and Shanghai. This fact, combined with the forced sales which weak merchants were obliged to make owing to the financial crisis and rise in the price of silver, had a considerable influence in lowering the prices and bringing about the present crisis, but it is believed that the interior of China is depleted of its stock. And with a favourable season in China, we may hope to see the adjustment of the market and the resumption of normal conditions in the course of a few months. We must nevertheless expect our position to be further restricted in the Far East, and it is, therefore, gratifying to note that there has been a growing tendency to pay greater attention to the home market. Every year almost the desirability of developing the home market is enlarged upon at meetings of this Association, but when there is a temporary stimulus to the China trade, this object is forgotten. I am glad to see, therefore, that last year both of yarn and cloth there was a notable increase of consumption in the country itself, due, I believe, to the increased interest which the public take in indigenous industries under the impulse of the Swadeshi movements and to the greater interest taken by the manufacturers in the production of superior qualities of cloth."

Mr. (now Sir) Fazulbhoy Currimbhoy Ebrahim, Chairman of the Association, in opening the proceedings of the annual general meeting of the members of the Bombay Millowners' Association held on Wednesday, 7th April 1909, said :—

> "The most disturbing factor is the fluctuating exchange which is a standing menace to our trade with China. Unless a gold standard is introduced in China, of which there are no immediate prospects, our trade will be at the mercy of the mercurial tendency of the exchange. The adoption of the gold standard should be preceded by regular silver coinage. A new era has commenced in China—extension of railways and development of industries are being seriously taken into hand. This will require foreign capital and China will have to borrow largely, and this clearly points to the necessity for the introduction of the gold standard in China sooner or later. At present China is contemplating the introduction of a regular silver coinage on a larger scale and let us hope that she will do so in the near future."

From the above-quoted extracts there is justification for the statement made in the Association's statement, that after the closing of the mints in 1893 the yarn trade with China became speculative and unremunerative and was finally killed owing to Chinese and Japanese competition.

Q. Have the Millowners worked out any correlation between the Japanese imports and exchange ?

A. The relation between imports from Japan and the Yen-Rupee exchange from 1921 to the end of 1925 is shown in tabular and graphical forms in Annexure "A."

Q. In answer to question 19 you say that the imports of yarn under 40s into India works out at about 15 per cent. of the yarn available for sale in India. Is that from Japan or from all countries ?

Q. I should like to know how this 15 per cent. has been worked out.

A. The figure of 15 per cent. has been calculated from the figures in the annual Sea Borne Trade returns. The importations of grey and coloured singles have been added together and compared with the total quantity of yarn available for sale in India. (See table 15 of Association's original representation.)

The actual figures for each year since 1920-21 are given in Annexure "B."

Q. Does that mean that you employ 8 per cent. more than you need ? Does it mean that if you could reduce the percentage of absenteeism to the same figure as that of Ahmedabad you would be able to reduce the number of your hands by 8 per cent.

A. The position of the mills in regard to absenteeism can be stated very simply. Every mill in Bombay maintains what is known as a standard muster and this standard muster indicates the number of workpeople necessary to keep all the machinery of the mill working. In many mills, however, the actual number of persons on the muster roll exceeds the number on the standard muster in the spinning department by 8 per cent.—10 per cent. These extra workers are employed to take the places of the absentees from day to day. As the average absenteeism according to the Labour Office figures is about 11 per cent. it necessarily follows that over the average of the whole month the whole of the extra hands are employed on productive work and generally speaking some of the workers have to do "double budli" in order to keep the whole machinery running. When, however, the percentage of absenteeism is below the percentage of extra hands employed, it follows that the wage payments for that particular period are somewhat greater than hey would be if it were possible to recruit suitable labour whenever required at the millates, but it is the experience of ill agents who have been consulted in the matter that the occasional extra payment to labour mentioned above is fully warranted, since it would be impossible to keep the whole of the machinery running throughout any month in the year if the e tra labour force was not retained. A reduction in the amount of absenteeism would of course be welcomed for the reason that it would increase efficiency very considerably, would increase the average monthly earnings of individual workers, improve the quality of the goods turned out and would greatly facilitate smooth and regular working in the mills.

(*Sir N.N. Wadia said during the first oral examination of the Association*). When you do see the Government chawls I would recommend two things. First and foremost please enquire under what promises the Government chawls were inaugurated. Find out, Sir, whether they were not inaugurated on the distinct promise that the economic rent charged to the mill hands should not exceed Rs. 5-8-0 per room.

Q. Are you in a position to show us the authority for that statement ?

A. As Annexure "C" we enclose a copy of the undertaking given by His Excellency Sir George (now Lord) Lloyd when introducing an amendment to the Municipal Act in the Bombay Legislative Council in 1920 which provided for a rise in the general tax and the levy of a town duty of Re. 1 per bale on all cotton brought into Bombay and a copy of the preamble to this Act.

Q. In the statement in Appendix V you have shown that the wages paid by the m· are higher than in other industries, but those industries belong to other parts of th· country. Are the wages paid in the mills higher than those paid in other industries in Bombay ?

A. The figures admittedly prove that wages in Bombay cotton mills are very much higher than in comparable industries in other parts of India. Other than the railway workshops there are no other industries of importance in the City and Island and a comparison with the engineering workshops would only hold good as far as the unskilled labour employed there is concerned. Enquiries from the Bombay Labour Office as to the wages paid to unskilled labour in other industries has elicited the reply that no information is available. Mr. H. P. Mody has however been able to obtain information as to the pay of Municipal employees and a copy of the budget estimates for 1926-27 in which the wages of all employees is given is enclosed (not printed).

Q. It is no use recommending Trade Commissioners when the Government of India can turn round and say that when they had a Trade Commissioner you made no use of him.

A. On perusal of the records of the Association we find that a letter was received from the Trade Commissioner in East Africa dated 22nd March 1922. After full consideration by the Committee it was circulated to all members of the Association on 10th May 1922 and it appears that certain mills went so far as to send special representatives to East Africa to push their trade there. It would therefore be a gross mis-statement for the Government of India to say that we made no use of the Trade Commissioner in East Africa. A copy of the correspondence with the East African Trade Commissioner will be found in Annexure " D."

In Annexure " E " will be found a complete record of the correspondence on the subject of the new specific duties imposed in Kenya which prove that the lower qualities of goods which form the bulk of Indian exports were unduly penalised by the inauguration of the system of specific duties in Kenya.

Q. Have you worked out the actual addition to the cost of cloth per pound due to the freight of cotton to Japan and of piecegoods from Japan to Bombay ? What is the exact addition in cost ?

A. Assuming that the loss in waste in spinning is counter-balanced by the weight of the size put on the piecegoods exported to India from Japan 1 lb. of cotton may be said to produce 1 lb. of cloth. On this basis the freight both ways would work out as follows :—

Freight of cotton, Bombay to Japan ..	Y. 3·16 per bale.
Assuming one bale of cotton weighs 400 lbs., the freight per lb. of cotton.	$Y.\frac{3\cdot16}{400}$ *i.e.*, Y. 0. 0079
Freight of piecegoods Japan to Bombay ..	Y. 13·1 per ton
Assuming a ton is equal to 3½ bales and 1 bale weighs 400 pounds the freight per lb. of cloth.	$Y.\frac{13\cdot1}{3.5 \times 400}$ *i.e.*, Y. 0.0092
The freight both ways, *i.e.*, for 1 lb. of cotton from Bombay to Japan and 1 lb. of cloth from Japan to Bombay.	Y. 0·0079 plus 0.0092 = 0.0171
which is equivalent to at Y. 130 per Rs. 100	4·27 pies approximately.

Q. In your answer to Question 95 you say that in certain instances, Bombay, Madras and Calcutta are given specially low freight rates. Can you specify these ?

A. A copy of a letter received at the commencement of the present year from the Agent of the G. I. P. Railway is given in Annexure " F " and fully explains the position of Bombay in regard to railway freight rates to Calcutta, Cawnpore, Delhi and Madras.

Q. Have you any evidence to show what quantity of Japanese goods is placed on the home market and what quantity is exported ?

A. The figures given in Annexure " G " have been compiled from statements published by the Japan Cotton Spinners ' Association and Japan Cotton Merchants' Union. They show that the very great bulk of power-loom goods produced in Japan is exported to foreign countries.

Q. I think in the course of the evidence it has been stated that no mills in Bombay are at present working at a profit. Is that an exact statement of the present position. It has a most important bearing on our enquiry and if before we meet again you could provide us with some evidence on that point it would be of material help.

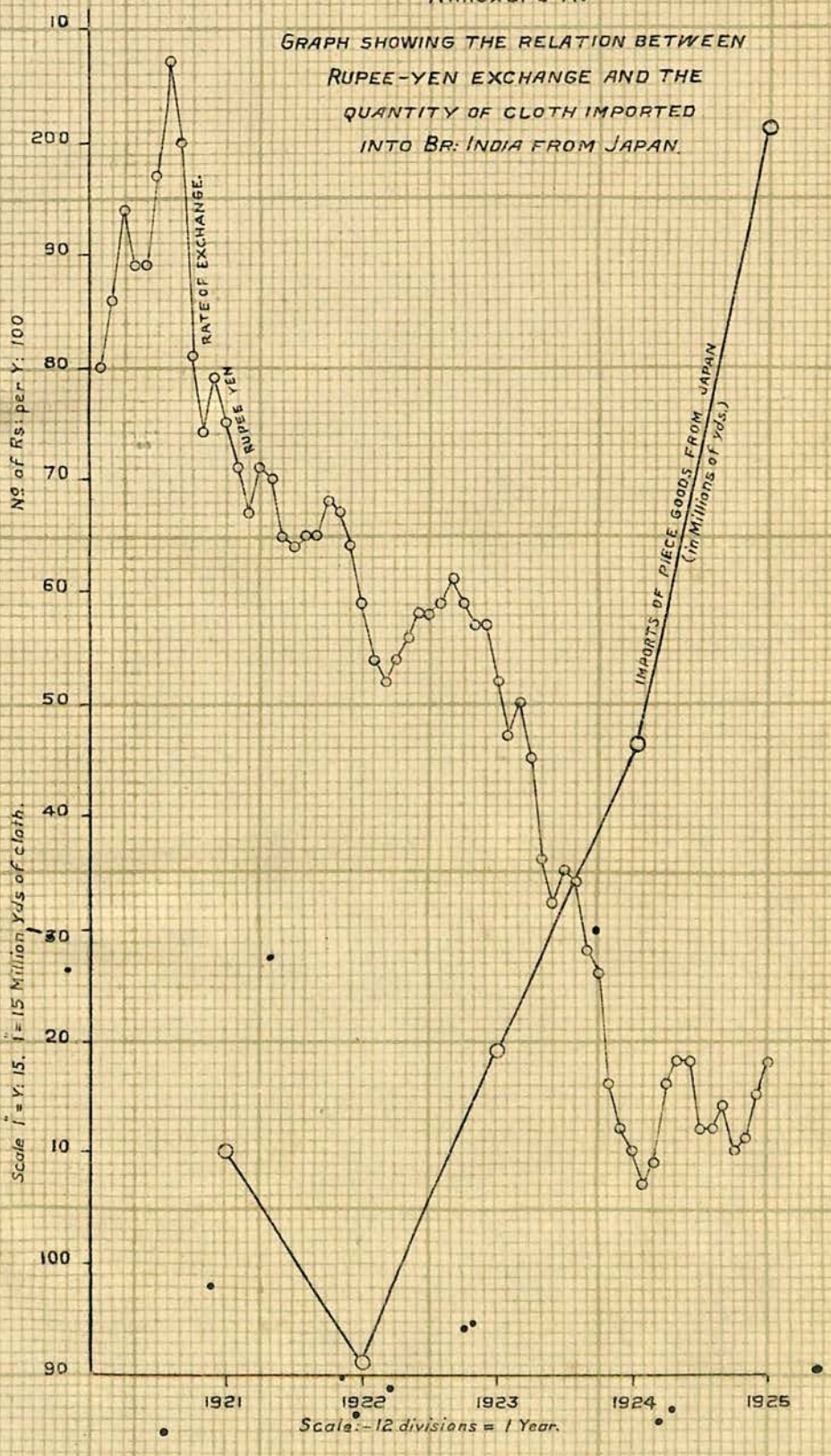
A. A special enquiry was made and it appears from the replies received thereto that at the time the letter was despatched (early October) only 8 mills in Bombay were working at a profit.

ANNEXURE A

Year and month	Rupees per Yen 100	Quantity (in yards) of piecegoods imported from Japan into India
1921		
January ..	180	
February ..	186	
March ..	194	
April ..	189	
May ..	189	
June ..	197	110,000,000
July ..	207	
August ..	200	
September	181	
October ..	174	
November	179	
December	175	
1922		
January ..	171	
February ..	167	
March ..	171	
April ..	170	
May ..	165	
June ..	164	91,000,000
July ..	165	
August ..	165	
September	168	
October ..	167	
November	164	
December	159	
1923		
January ..	154	
February ..	152	
March ..	154	
April ..	156	
May ..	158	
June ..	158	
July ..	159	119,000,000
August ..	161	
September	159	
October ..	157	
November	157	
December	152	
1924		
January ..	147	
February ..	150	
March ..	145	
April ..	136	
May ..	132	
June ..	135	146,000,000
July ..	1·4	
August ..	128	
September	126	
October ..	116	
November	112	
December	110	

Annexure A.

GRAPH SHOWING THE RELATION BETWEEN RUPEE-YEN EXCHANGE AND THE QUANTITY OF CLOTH IMPORTED INTO BR: INDIA FROM JAPAN.



ANNEXURE A—*contd.*

Year and month	Rupees per Yen 100	Quantity (in yards) o piecegoods imported from Japan into India.
1925		
January	107	
February	109	
March	116	
April	118	
May	118	
June	112	
July	112	201,000,000
August	114	
September	110	
October	111	
November	115	
December	118	

ANNEXURE B

Statement explaining how the figure "15 per cent." was arrived at by the Association in calculating the percentage of imported yarn under 40s. counts to total mill-made yarn available for sale in India

Quantity of foreign yarn of counts 1-40s. imported into British India :—

(000s omitted)

	1920-21	1921-22	1922-23	1923-24	1924-25
Grey (1)	24,806	30,699	38,937	20,653	29,037
Coloured (2)	9,817	8,458	6,298	7,297	7,232
Total (3)	34,623	39,157	45,235	27,950	36,269
That is (in millions)* (4) ..	35	39	45	28	36
Quantity of Indian yarn available for sale in India. Reference table 15, page 80 of the Association's original statement (in millions of lbs.) (5)	247	249	283	216	269
Percentage of (4) to (5)..	14 per cent.	16 per cent.	13 per cent.	13 per cent.	13 per cent.

*In addition to this very considerable quantities of folded and mercerised yarns below 2/40 were imported.

ANNEXURE C

In July 1919 the Municipal Commissioner reported that out of a population then estimated roughly at 12,00,000, nearly 8,92,000 resided in one-room tenements. That taking four persons per tenement, the number of tenements required was 223,000, whereas the number of tenements existing was only 174,000; that there were further 15,000 tenements which, either because they were unfit for human habitation, or were structures of a purely temporary nature, ought to be replaced. The total shortage, therefore, was 64,000 tenements.....

The problem to be faced is the direct construction of additional housing accommodation sufficient to supply the deficiency reported by the Municipal Commissioner in July 1919. That deficiency, as I have already mentioned, amounted to 64,000 tenements. Of this number, it is believed that 14,000 tenements can be supplied by the conversion and improvement of tenements now considered unfit for human habitation, and also by vacancies due to the migration of members of the middle classes to the new houses which are being built in the northern part of the island. The balance of 50,000 rooms represents a minimum, for which arrangements will have to be made.

For construction of this magnitude, the first requisite is an adequate area of suitable land. This, as I have already mentioned, is available for 36,000 rooms in the areas covered by the Improvement Trust schemes. The balance can, it is believed, be provided by reclamation in certain parts of the island. I will not at this juncture weary the Council with the detailed calculations, or our justification for those calculations. I will confine myself to saying that our rough estimate of the cost of these 50,000 tenements is some Rs. 5,50,00,000. It will, however, be quite clear to any one conversant with the conditions of industrial life in Bombay, that it will be impossible to expect a return from the rent of these buildings, which will meet the expenses incidental to a capital expenditure of this amount, much less the return of a profit. According to our estimate, the annual loss entailed by the scheme will amount to Rs. 13,50,000.....

In the bill which is now placed before you for consideration, Government propose to take power to impose a town duty not exceeding rupee one on every bale of cotton weighing 3½ cwts., which is brought into the city and island of Bombay. This duty, unlike other town duties, is not likely to be refunded when cotton is exported out of Bombay. The average imports of raw cotton by land and sea other than those received from foreign countries during the past ten years have been approximately 28 lakhs of bales. Of these, approximately 17 lakhs have been exported. Assuming that the annual maximum yield of the duty of one rupee would amount to Rs. 28,00,000, it is proposed to assign to the Municipality the amounts levied on cotton consumed within its limits of 3/7ths, and appropriate the remainder, or 4/7ths, partly for the financing of the housing scheme, the details of which have been placed before you, and partly for other development purposes which will be explained hereafter. The collection of the duty like that of other town duties will be entrusted to the Municipality of Bombay.

BOMBAY ACT No. XX OF 1920

[THE CITY OF BOMBAY MUNICIPAL AND IMPROVEMENT (AMENDMENT) ACT 1920]

13th December 1920.

An Act further to amend the City of Bombay Municipal Act, 1888, and the City of Bombay Improvement Act, 1898.

Whereas there is an extreme shortage of housing accommodation for the working classes in the town and Island of Bombay; and whereas it is expedient that Government should as a primary object construct fifty thousand tenements for such classes in the town and island of Bombay and should further as a secondary object carry out certain schemes of improvement and development in the vicinity thereof, namely, in the Bombay Suburban Revenue Division as the same may be constituted on the 1st day of December 1920; and whereas it is intended by Government to raise a loan or loans for the above purposes; and whereas it is expedient that the Municipal Corporation of the City of Bombay should carry out divers large and important works; and whereas it is accordingly expedient further to amend the City of Bombay Municipal Act, 1888, and it is also expedient further to amend the City of Bombay Improvement Act, 1898, in manner hereinafter appearing. It is hereby enacted as follows, etc., etc., etc.

ANNEXURE D

No. 411/66 of 1922

THE MILLOWNERS' ASSOCIATION,
Bombay, 10th May 1922.

THE MEMBERS OF THE BOMBAY MILLOWNERS' ASSOCIATION.

The underquoted letter which the Committee of the Association have received from the Indian Trade Commissioner in East Africa with regard to the conditions prevailing in the East African markets is circulated for the information of members whose attention is particularly invited to the suggestions contained in the last paragraph thereof.

Samples of "Americani" sheeting referred to in the letter have been obtained and may be inspected in these rooms by members interested at any time during office hours.

(Signed) C. B. SAYER,
Secretary.

No. 66

OFFICE OF THE INDIAN TRADE COMMISSIONER
IN EAST AFRICA.

Post Box No. 141. *Mombassa, 22nd March 1922.*

To

THE SECRETAY, THE MILLOWNERS' ASSOCIATION,
Bombay—India.

Sir,

I have just completed a tour in East Africa, including Uganda, Kenya and Zanzibar. I have conversed with the Heads of Importing firms, distributing firms and retail dealers at remote Indian stores in the interior, and hear the same story everywhere. The East African colonies have been good customers for the products of Indian cotton mills. Every year many thousands of Africans of different tribes are being converted to the use of clothing. But I regret to inform you that, though India could supply all the Colonies' requirements of sheeting (known as Americani), sheets (chudders) and checks, yet, instead of capturing the whole, the Indian mills are rapidly losing the share they have had of the trade in these piecegoods. The reason is principally one of price. The Manager of the leading Indian firm trading in Uganda, with its Head Office in Bombay, told me that, while they were formerly doing a good trade in Bombay "Americani" they have been compelled to change their business, and trade in Japanese, Dutch and American goods. A piece of 30 yards of the Bombay product weighs 7 lbs. while a piece of Japanese at the same price weighs 10 lbs.

I am aware that the Indian mills have at present such an excellent market in India that they can afford to ignore the export market of East Africa. But I venture to suggest that it is unwise for them to do so. This export trade might soon become of very great, if not, vital importance, and it is my humble opinion that the Indian mills should do all they can, even at some loss for the time being, to recapture and retain this trade. It must be recognised that these Colonies are undergoing a period of serious depression. Money is short with all classes. If the Indian mills are not prepared to turn out better stuff to compete with American and Japanese goods at their price, then they should proportionately reduce their prices for the inferior goods they are sending. Being cheaper the latter would still have a good sale among the poorer classes.

2. At present Indian cotton blankets get a good sale generally, but in some tracts visited by me they are rapidly losing ground with imports from Holland. The latter are generally smaller but make up for this in brighter colouring (reds and yellows, the gaudier, the better) which attracts many African tribes; I found this particularly the case in some stores in the interior of Uganda. In stores of the highlands of Kenya I found that the Dutch blankets were selling cheaper. The more expensive Indian blankets were getting a sale, largely through European settlers buying them for their labourers. The sale would be much helped by the use of more reds and yellows, and by some reduction in price.

3. At present the trade in prints is divided between Manchester, America, Holland, Switzerland and other countries. I am not aware if any Indian mills are yet able to undertake this class of products. If so, samples should be sent over and moderate prices quoted.

4. It is my belief, in which I am confirmed by my conversation with important traders here, that the Millowners' Association ought to have a joint Agent in East Africa, say at Zanzibar which is the principal distributing centre. He would be in touch with the distributing firms who would be kept informed by the retail dealers of the requirements of different tracts, and would place orders in India. The present system of haphazard purchase of mixed consignments through brokers in the Bombay bazar leads to a lot of trouble in the Customs on this side. My suggestion is not impracticable because the Calico Printers' Association of Great Britain have already recognised the need and have established a permanent representative in East Africa. I met a Japanese gentleman in Mombassa in January and found him up in Uganda this month. It is more than probable that he is collecting full information of local markets with a view to the complete capture of the trade in sheeting for Japan, though primarily concerned in the purchase of Uganda Cotton.

5. I regard this matter as of great importance and trust that you will be good enough to circularise all the members of your Association. The question of reducing prices in East Africa should not be held over while lengthy proceedings drag on for sending over a joint representative. If even one Indian mill will take it up at once, it will do some good and may help to stem the rapid ebb which has already set in.

I have the honour to be,
Sir,
Your obedient servant,
(Signed) C. G. LEFTWICH,
Indian Trade Commissioner in East Africa.

No. 392/66 of 1922

MILLOWNERS' ASSOCIATION,
Bombay, 4th May 1922.

THE INDIAN TRADE COMMISSIONER,
Post Box No. 141,
Mombasa, East Africa.

Dear Sir,

I am directed to acknowledge receipt of your letter No. 66 dated the 22nd March 1922 and to thank you for placing before my Committee so comprehensive a review of the situation with regard to Indian goods in the East African market, which they have read with very great interest.

I am to add that a copy of your letter has been sent to all members of the Association and samples of the Japanese cloth in question made available to them for inspection. Their attention has also been invited in particular to the suggestion contained in the last paragraph. My Committee, at the same time, will be grateful if you will be good enough to advise them of any developments in the situation described in your letter which may arise at a later date.

Yours faithfully,
(Signed) C. B. SAYER,
Secretary.

(True copy)

ANNEXURE E

Custom Duty on Piece-goods Imported into East Africa

THE MOMBASA INDIAN MERCHANTS' CHAMBER AND BUREAU,
Mombasa, 27th September 1922.

Dear Sir,

I beg to confirm my cable to you of the 14th instant, reading:—

"Proposed new tariff unbleached piece-goods five pence per pound gross weight whereas bleached remains *ad valorem* 20 per cent. seriously affects Indian foreign trade whole of Eastern Africa; meaning differential treatment. Represent strongly Viceroy, Colonial Office immediately, keep to *ad valorem*. Indian Chamber."

There are a number of items which are objectionable, but I mainly draw your attention to the fact that owing to the influence of settlers the Government is adopting the principle of Protective Duties. It is the opinion of my Chamber that such duties are most objectionable as they are only a favour to one community at the expense of other larger communities.

2. As regards the proposed new tariff my Chamber has made strong representations and the members of my Chamber have given evidence before the Finance and Economic Committee against the specific duties and the increases in the duties. The duties on the articles of necessity, such as food-stuffs, sugar, tea, coarse and fine salt (table salt excluded as the duty on same is on *ad valorem* scale) have been greatly increased under the proposed new specific scale tariff.

3. There is one item of unbleached piece-goods which particularly affects the Indian export trade, and I have, therefore, drawn your attention to this matter in time by the cablegram above referred to.

4. At the present moment all piece-goods pay an *ad valorem* duty of 20 per cent., but according to the new proposed tariff unbleached piece-goods such as Americani, chudders, etc., shall have to pay the specific duty of 40 shilling-cents (a shilling is equal to 100 shilling-cents) per pound gross weight, whereas bleached, printed and other piece-goods will remain at an *ad valorem* duty of 20 per cent.!

5. The arguments advanced in favour of the change are:—

(*a*) it will simplify the Customs work,
(*b*) it will be easy to work duty per pound,
(*c*) it will save risk of fraudulent invoice prices,

and the argument advanced in favour of retaining 20 per cent. *ad valorem* duty on bleached, printed and other piece-goods is:—

The qualities of these articles differ, making it impossible to fix a satisfactory schedule of specific duty.

6. I shall now here try to show you the weakness of the arguments mentioned in paragraph 5 above:—

(*a*) It is the definite and considered opinion of my Committee by their personal experience with the Customs working that the specific duty is not going to simplify the Customs work but, on the contrary, the Customs work will be most complicated and difficult;

(*b*) it will be as well as easy to work out the *ad valorem* duty;

(*c*) there has never been one instance even up to now of any Indian invoice found fraudulent or with wrong prices shown with intent to cheat the Customs authorities; and, therefore, my Chamber begs to state that the specific duty on the article of unbleached cotton piece-goods is not the result of the arguments advanced by the Economic and Finance Committee, as well as several white settlers; on the other hand, it will lead to the following results:—

(*a*) Although at present the Customs authorities have worked out the specific duty table for this article at 20 per cent. *ad valorem* on the present ruling prices, it (the percentage) will be greatly increased when the price of cotton piece-goods goes down in India as there is every likelihood of the price of the unbleached cotton piece-goods going down in the very near future, and as more than 70 per cent. of the unbleached cotton piece-goods come from India, that trade will be greatly affected.

7. The specific duty is to be calculated on *gross* weight (including packing articles hoops, etc.) and I may mention that this is the only article on the specific duty table upon which gross weight is to be calculated, and as Indian packing greatly differs from each other, it will be a great disadvantage. In the opinion of my Committee the duty on

gross weight is absolutely unjustifiable and this is the only item, as I told you above, upon which duty is to be collected on gross weight. The specific duty will work out cheaper on light weight qualities of high-priced Americani imported from America, and to that extent it will materially affect the Indian export trade with the whole of Eastern Africa. Bleached goods having been left at 20 per cent. in certain instances will work out cheaper than unbleached and will, therefore, replace the latter, thus reducing the usual imports from India.

8. In view of all this my Committee feels that it is a differential treatment to the Indian unbleached cotton piece-goods trade and in this matter the feeling of the whole Indian mercantile community is very strong.

9. A resolution protesting against this duty and making it clear that it is a differential treatment was passed by the 4th Sessions of the E. A. Indian National Congress at Nairobi on the 17th instant.

10. My Chamber has also made representations to the local Government and has requested the non-official Indian members on the Kenya Legislative Council to oppose this measure.

11. As it is very important that the Indian Government should move in this matter, I have cabled you this information and trust you immediately made strong representations to the Indian Government requesting the Governor-General in Council to take up this matter with the Colonial Office.

12. Since writing the above I have been informed that the local Government, without caring for our protests, has passed the duty as shown above.

13. By the proposed new tariff the food-stuffs duty has been greatly increased beyond the power of poor people.

Yours faithfully,
(Signed) D. B. DESAI,
Secretary.

No. 825-123

THE MILLOWNERS' ASSOCIATION,
Bombay, 5th October 1922.

THE SECRETARY,
INDIAN MERCHANTS' CHAMBER AND BUREAU,
Mombasa (East Africa).

Dear Sir,

I am directed to acknowledge your cable of the 14th of September, asking this Association to support and *ad valorem* import duty on all piece-goods in place of the proposed duty of 4$\frac{7}{8}$*d.* per lb. on unbleached and 20 per cent. *ad valorem* on bleached piece-goods.

In reply I am to inform you that my Committee are in favour of an all-round *ad valorem* import duty and I am to forward herewith the attached copy of a representation on this subject which they have addressed to the Department of Commerce, Government of India.

Yours faithfully,
(Signed) C. B. SAYER,
Secretary.

No. 824-123

THE MILLOWNERS' ASSOCIATION,
Bombay, 5th October 1922.

THE SECRETARY TO THE GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE, Simla.

Sir,

I have the honour, by direction of my Committee, to address you on the subject of the proposed import duties to be levied by the administration of Kenya Colony on cotton piece-goods.

2. From a cable received from the Indian Merchants' Chamber and Bureau, Mombasa, my Committee understand that it is proposed to levy an import duty of $4\frac{5}{16}$ per lb. on unbleached piece-goods while the duty on bleached piece-goods is to remain at 20 per cent. *ad valorem.*

3. While my Committee admit that the above proposal provides an equitable method of levying import duty so long as the price of piece-goods remains at the present level, they desire me to point out that, if the price of piece-goods were to drop, then, while the duty on bleached piece-goods would remain at 20 per cent. *ad valorem,* the duty on unbleached piece-goods would rise to a figure considerably above that level, and if this were to happen it would result in considerable hardship to traders in unbleached piece-goods and the Indian export trade would suffer accordingly.

4. Also I am to remind you of the importance of the Indian export trade in unbleached piece-goods to East Africa by mentioning that, of all such piece-goods imported into the East African Protectorate during the year ending March 31, 1921, 60 per cent. (of the value) were from India or Burmah; whereas of the bleached and other types of piece-goods imported into East Africa during the same period only 10 per cent. were from India or Burmah.

5. Thus my Committee are in favour of the East African import duty remaining an *ad valorem* duty on both bleached and unbleached piece-goods not only because the proposed change is liable to give undue preference to a certain section of the trade but also because an all-round *ad valorem* duty provides a simpler and more permanent basis of assessment for all the various prices at which the goods may be sold.

6. Consequently I am to request that the Government of India give this matter their most careful consideration and that if they are in agreement with the opinions of my Committee to address the Government of East Africa accordingly.

I have, etc.,
(Signed) C. B. SAYER,
Secretary.

THE MOMBASA INDIAN MERCHANTS CHAMBER AND BUREAU,
Mombasa, 7th October 1922.

Dear Sir,

I beg to enclose herewith particulars of the quantity of the unbleached and bleached cotton piece-goods imported into Kenya and Uganda together with their respective values, and I hope the same will satisfy you for furthering the action which you have already taken in regard to the protests for which I sent you a cablegram on the 14th September 1922.

The duties have already been increased, and it will be reduced only if the Governor General in Council approaches the Right Honourable the Secretary of State for the Colonies, requesting him to exercise his powers under the Letters Patent Act of 1920 to disallow the said ordinance which is numbered 13 of 1922, " The Customs Tariff Ordinance 1922."

Yours faithfully,
(Signed) D. B. DESAI,
Secretary.

Imports of unbleached cotton piece-goods into Kenya

	1913-14	1914-15	1915-16	1916-17
United Kingdom	1,270,170	551,567	531,236	1,509,027.
	£17,753	£6,736	£10,347	£35,829
India and Burma	4,971,940	3,364,930	6,319,857	23,054,071
	£63,901	£41,348	£81,931	£3,51,390
Italy	2,105,242	597,200	174,300	12,634
	£21,562	£6,587	£2,034	£473
U. S. America	11,936,418	3,856,217	10,364,394	4,583,929
	£1,31,140	£41,770	£1,06,018	£71,914
Japan	....	7,600	46,900	267,286
	....	£113	£654	£5,126
Arabia	....	14,563	1,244	14,831
	....	£253	£27	£461
Austria-Hungary	1,502,666	1,835,838	....	....
	£15,479	£18,943	....	....
Belgium	279,449	221,911	58,068	....
	£7,471	£5,879	£1,836	....
France	74,034	34,835	1,500	....
	£1,861	£491	£20	....
Germany..	116,149	78,573	809	4,700
	£2,722	£2,217	£17	£155
Holland	310,154	85,910	36,621	196,960
	£7,236	£2,279	£966	£6,800
Switzerland	486,169	142,131	157,160	199,913
	£12,218	£3,013	£4,775	£8,256

and Uganda in yards together with their respective values

1917-18	1918-19	1919-20	1920-21	From April to Dec. 1921	From Jan. to June 1922
1,310,375	679,240	969,790	1,048,299	110,862	127,919
£44,983	£30,138	£28,552	£40,793	£11,788	£8,251–16
11,137,110	5,153,859	1,017,124	8,356,087	4,494,772	1,340,318
£2,44,323	£1,58,575	£3,11,085	£4,03,117	£1,36,572	£41,937–16
....	....	540	40,032	3,048	....
....	....	£40	£2,367	£289	....
4,380,261	1,654,646	4,019,440	2,573,955	781,370	1,285,111
£97,581	£51,116	£1,11,253	£1,10,948	£19,138	£32,300–17
639,566	696,569	1,018,956	1,904,531	4,224,316	3,544,148
£14,881	£22,624	£38,028	£98,748	£1,42,802	£1,01,514–4
1,332	6,223	8,422	6,774	38	4,415
£68	£447	£530	£787	£5	£354–16
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	114,061	66,584	122,850
....	....	....	£7,380	£6,108	£8,432–7
162	....	....	....	8,840	....
£6	....	....	....	£641	....
....	....	....	9,180	6,000	....
....	....	....	£217	£375	....
66,638	11,781	....	65,604	55,148	8,781
£3,108	£516	....	£7,641	£5,892	£940–12
92,614	....	19,806	2,926	12,680	2,000
£4,431	....	£1,426	£733	£1,541	£93–17

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

Quantity (Yards) of cotton piece-goods—bleached—Imported into

—		1913-14	1914-15	1915-16	1916-17
United Kingdom		5,333,922	1,817,847	1,851,695	7,359,552
	Values ..	£71,335	£28,381	£28,012	£125,452
India and Burma		98,110	41,692	71,121	77,163
	Values ..	£1,800	£991	£1,409	£1,969
Austria-Hungary		4,617	....	....	....
	Values ..	£97	....	....	....
Belgium		1,770	1,000	....	....
	Values ..	£53	£25	....	....
France		14,376	2,254	2,000	....
	Values ..	£249	£64	£38	....
Germany		64,584	14,956	....	10,400
	Values ..	£1,056	£365	....	£221
Holland		653,249	4,215	129,299	148,271
	Values ..	£7,265	£114	£2,643	£3,423
U. S. America		112,948	31,292	132,695	36,400
	Values ..	£1,600	£507	£2,498	£691
Italy		7,895	1,443	3,429	....
		£193	£37	£210	....
Switzerland		....	844	....	....
		....	£25	....	....
Japan		....	....	....	24,000
		....	...	....	£517
Hong-Kong		....	....	....	3,200
		....	....	....	£67
Italian East Africa		....	....	....	....
		....	....		....

Kenya and Uganda from 1913-1914, 30th June 1922 with their values

1917-18	1918-19	1919-20	1920-21	From April to Dec. 1921	From Jan. to June 1922
3,821,481	605,949	2,704,935	897,167	501,599	369,193
£79,610	£26,800	£93,895	£66,886	£29,240	£19,925-14
87,747	52,614	14,020	147,647	42,515	27,716
£2,065	£2,344	£485	£9,939	£2,301	£1,354-19
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	600	....	21,980
....	....	....	£54	....	£1,244-14
....	195	....	286	1,035	....
....	£33	....	£23	£76	....
....	....	....	4,884	....	....
....	....	....	£813	....	....
46,120	13,234	46,105	57,859	96,414	25,240
£1,102	£502	£1,927	£3,700	£4,447	£1,091-7
800	....	15,600	16,000	....	....
£34	....	£624	£1,189	....	....
....	38,128	....	1,790	14,821	....
....	£1,619	....	£73	£645	....
....	....	....	6,938	....	15
....	....	....	£674	....	£3-1
1,124	36,100	1,900	45,352	10,982	9,080
£56	£1,487	£62	£2,693	£474	£275-10
....	....	....	....	....	....
....	....	....	....	....	....
....	106	....	....	....	....
....	£9	....	....	....	....

No. 5788

GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE,
Delhi, 4th November 1922.

THE SECRETARY,
THE MILLOWNERS' ASSOCIATION, BOMBAY.

Sir,

I am directed to acknowledge the receipt of your letter, No. 824-123, dated the 5th October, on the subject of the import duties levied by the administration of the Kenya Colony on cotton piece goods and to say that the Government of Kenya Colony have been asked to consider the points raised by your Association. I am to add that the Indian Trade Commissioner in East Africa has also already made representations on the subject to the Kenya Government.—I have, etc.

(Signed) D. T. CHADWICK,
Secretary to the Government of India.

ANNEXURE F

No. 12220 H—37

THE GREAT INDIAN PENINSULA RAILWAY,
AGENT'S OFFICE,
Victoria Terminus, Bombay, 20th January 1926

THE SECRETARY, MILLOWNER'S ASSOCIATION, BOMBAY.

Dear Sir,

Freight rates on goods sent from Sholapur.
Your letter No. 1312-137 of 9th November 1925 and this office letter No. 12220-H—28 of 9th December 1925.

I have to point out that in framing rates "distance" is not the only deciding factor as appears to be assumed in the representation of the Millowners of Sholapur. Various other considerations have to be taken into account especially the cost of carriage by competitive routes. I deal with the points raised in the Sholapur letter seriatim :—

(1) *Rates to Calcutta.*—There is an alternative route by sea for goods traffic between Bombay and Calcutta and Railway rates between these places have been forced down as a result of this competition. The same reasons have forced us to quote reduced rates from Bombay to Madras and Madura.

(*i*) The rate from Ahmedabad to Calcutta, *via* Agra East Bank is Rs. 2-9-1 per maund and not Rs. 1-14-0 as shown in the representation. It may here be pointed out that the same through rate of Rs. 2-9-1 per maund is available from Ahmedabad to Calcutta, *via* Amalner and Nagpur.

(*ii*) *Delhi.*—Bombay-Delhi rates are governed by competition with the Calcutta and Karachi Ports. The Madras-Delhi rate is also forced down by competition, *via* Calcutta and the sea routes.

(*iii*) *Cawnpore.*—Bombay-Cawnpore rates are quoted in competition with the East Indian Railway rates between Calcutta and Cawnpore. The Hubli-Cawnpore rate is quoted equal to the Bombay rebooking rate. The distance from Ahmedabad to Cawnpore by the B. B. & C. I. Railway route is 745 miles and not 1,137 as mentioned in the representation.

(*iv*) *Madras.*—The correct Bombay-Madras rate is Rs. 2-2-3 per maund and not Re. 1 per maund against the rate of Re. 1-10-7 from Sholapur to Madras. The Ahmedabad-Madras rate is influenced by the sea competition *via* Bombay.

(*v*) *Amritsar.*—The Madras-Amritsar rate is forced down by sea competition *via* Calcutta.

(*vi*) *Madura.*—The rate from Petland to Madura is Rs. 2-10-11 and not Rs. 3 as stated; it is quoted in competition with the rate obtained by the sea-cum-railway route *via* Bombay and Tuticorin.

2. From these remarks it will be observed that the special rates in force have in every instance been necessitated by adjustment with rival competition routes but I take this opportunity of pointing out that if a railway can win and retain competitive traffic at remunerative rates the ultimate result is a general lowering of the rate level. The

converse is true that if a line ceases to competof or traffic the general level of other rates will inevitably rise. The principle of all railways is to charge what the traffic will bear, i.e., not to charge so high a rate that the free development of trade will be hampered. This is the policy that has been followed at Sholapur and the figures of traffic show that the Sholapur Mill industry has profited exceedingly under the rating policy of the G. I. P. I need not here reproduce in support of that statement the current market values of Sholapur mill shares or the record of past dividends. These will be well known to your Association.

ANNEXURE G

Quantity (in yards) of Piecegoods produced and exported from Japan

Year	Total Production	Exportation of cotton cloth	Percentage of exports to production
1921	700,697,985	649,376,060	92·67
1922	869,327,652	740,970,691	85·23
1923	1,000,708,890	766,861,099	76·63
1924	1,030,905,658	963,238,655	93·43
1925	1,179,424,000	1,217,374,604	103·2

Note.—It should be remembered that the total production given above represents only the figures of production by looms owned by members of the Japan Cotton Spinners' Association. The total number of looms affiliated to the Japan Cotton Spinners' Association in 1924 was 60,000 approximately.

Witness No. 1

THE BOMBAY MILLOWNERS' ASSOCIATION

Further Oral Evidence recorded at Bombay on the 1st and 2nd November 1926

The following gentlemen represented the Association :—
A. Geddis, Esq., Chairman,
H. P. Mody, Esq., Deputy Chairman,
C. N. Wadia, Esq., C.I.E.,
S. D. Saklatwala, Esq.,
T. Maloney, Esq., Secretary.

Section I

General

President.—We meet to-day with a view to clear up outstanding points. I think our best plan will be to follow as far as possible the order in the original questionnaire and the original discussion in order to keep the discussion as far as we can on definite lines, and to prevent its becoming too desultory. The first question that we should naturally like to ask is what changes there have been in the situation since we last met. What we should like to know is the effect on the industry generally of the fall in the price of cotton due to the very large American crop. We would like to know whether the fall in the price of cloth and yarn has corresponded to the fall in the price of cotton, and we would also like to have your general views on the outlook.

A. *Mr. Geddis.*—The fall in the price of cotton has added a very heavy loss to the industry with our unsold stocks. They have depreciated in value, and that loss naturally will fall on the industry.

A. *Mr. Mody.*—If we take Koompta cotton, our staple cotton, the price has come down by Rs. 50 to Rs. 60 since we last met whereas the price of cloth has come down by two annas.

Q. According to the figures we have here, which are your latest figures, Mr. Mody, the latest quotation that for 15th October 1926 of the price of longcloth is 15 annas 6 pies. Is that a fall of two annas ?

A. We shall be lucky if we can manage to sell any reasonable quantity at 14 annas 6 pies. That is the present position, and that will be made apparent to you when the Diwali sales take place.

Q. The last quotation we have is for the 15th of October.

A. *Mr. Geddis.*—There have been some sales of cloth since at lower prices and I think Mr. Mody is correct. I do not think that sales will go through Diwali at 14 annas 6 pies.

A. *Mr. Mody.*—The latest figure is 15 annas. That will be shown in the statement which is being compiled and we do not anticipate anything more than 14 annas 6 pies at Diwali and even then we do not think we shall be able to sell large quantities.

Q. Are not these statements available until a fortnight after the date to which they relate ?

A. It takes about a week to get them out.

Q. The latest one we have is for 15th October.

A. They are issued every fortnight, and you will have the latest one in a day or two.

Q. How far does a fall of 2 annas a pound of the price of cloth correspond to a fall of Rs. 50 is the price of cotton ?

A. *Mr. Wadia.*—The price of ready cotton, that is if you want to buy to-day, is Rs. 40 to Rs. 50 higher than the price of the new crop you can buy, so that if we desire to convert cotton into cloth we are much worse off than we were when we last met, but if you can contract for cloth to be delivered in March and can wait till the new crop comes in then I think the fall in cotton corresponds almost exactly to the fall in the price of piecegoods.

Q. It would be interesting if you could give us the correct figure. Are you referring to the fall in price of ready cotton ?

A. *Mr. Mody.*—I am speaking about Koompta cotton which is the staple cotton for most mills.

A. *Mr. Wadia.*—The price of ready cotton, Koompta, when we last met was Rs. 350. To-day it is Rs. 300.

Q. What about the future ?
A. We can get American cotton to replace it at Rs. 250.

Q. When does the new crop of Koompta begin to come in ?
A. March-April.

Q. Are there any quotations for that now ?
A. The quotation for March-April is Rs. 25 above Broach.

Q. How much is that ?
A. Broach to-day is Rs. 250 to Rs. 255.

A. *Mr. Mody.*—Whilst on the subject of our position relatively to what it was when we were last before you, stocks have gone up.
A. They went down in September.
A. Yes, in September. But they have been going up since then.

Q. Owing to the fact that there is no off-take ?
A. Yes.

Q. Is that due to the uncertainty of outlook in regard to the price of cotton ?
A. Yes.

Q. Can you give us the exact facts in regard to the imports of American cotton ? Can you tell us what their extent is ?
A. I think there will be imports of 60 to 70 thousand bales altogether. That was the figure given to me by some one in the know though it has been variously reported as 150 to 200 thousand bales. The actual figure is 60 or 70 thousand bales of American cotton.
A. *Mr. Wadia.*—The last figures we received were something like 65,000 bales. We are now making enquiries on behalf of the Cotton Committee for information from our members and we are getting the actual figures from them. I do not think it exceeds 60 thousand bales at the present moment.

Q. When will that be arriving ?
A. It is arriving. It began to arrive in October.
A. *Mr. Geddis.*—There were 14 thousand bales before the 31st of May and it has been coming in regaularly since. The October-December arrivals will be heavier than for any other month this year.

Q. For what purpose will this American cotton be used ?
A. Warp and weft of cloth.

Q. What counts ?
A. 24s.

Q. Can you get anything above 30s out of it ?
A. It depends. We are purchasing different types. One mill would spin 30s and another mill would spin 24s.
A. *Mr. Mody.*—Not from the type of cotton which we can get at Rs. 250 and Rs. 260. Not from that.

Q. Do you consider these large American imports due in any way to the exchange ?
A. *Mr. Geddis.*—It is due to the fact that the American cotton is cheaper than Indian cotton to-day.

Q. Quite so. That is obvious, but do you consider that in any way is the effect of exchange ?
A. *Mr. Wadia.*—Very largely. It is entirely a matter of exchange.

Q. It cannot be entirely, because even if the exchange were back at the 1s. 4d. level, there would be a slight difference in favour of American cotton as far as I can make out the figures.
A. 12½ on Rs. 250.

Q. 12½ on Rs. 300. That would give American cotton.....
A. You are within Rs. 14 of what it ought to be owing to exchange.

Q. In this particular case exchange is working to your advantage because it enables you to get American cotton cheaper than Indian and thereby bring down the pirce of Indian cotton.
A. What about those gentlemen who hold ready cotton bought at high prices ?

Q. We are looking at it from the point of view of the textile industry.
A. *Mr. Mody.*—At the same time it is depressing the price of Indian cotton which I think is of doubtful advantage to us because our consumers will have so much less to spend.

Q. Don't these imports of American cotton go to show that Japan also is in the same position, a point which is denied by the advocates of the export duty ?

A. Japan would not be able to substitute the whole of the Indian crop. To a certain extent it would, but not to the whole extent because some classes of Indian cotton Japan must have unless they are entirely out of parity, which is not likely to be the case.

A. *Mr. Wadia.*—To Japan it is still a matter of exchange. The Japanese exchange has not been raised by 12½ per cent.

Q. I do not quite follow.

A. We are getting according to you, Sir, a benefit to the extent of 12½ per cent. owing to our exchange being near 1s. 6d. Japanese Yen exchange has been raised up and so they could also get the benefit of American cotton.

Q. That then seems to show that Japan can substitute American cotton for Indian cotton.

A. *Mr. Mody.*—To a certain extent, yes.

Q. There was one point I did not go into with you on the last occasion in regard to this question of general depression, and that was the effect on the Bombay cotton industry of the two attempted corners in cotton in 1922. I believe there was an attempt at cornering at the beginning of 1922 as the result of which the Apollo and Elphinstone mills changed hands. There was another in September 1922 as a result of which the Mathradas, Kastoorchand and some other spinning and weaving mills changed hands. That was not mentioned in our last discussion, but I should like to know your views as to the effect on the mill industry of these two corners and of the number of mills that changed hands in consequence and also whether the depression in the industry cannot to a very large extent be dated from that year ?

A. I do not think the mill industry was affected at all. It affected the fortunes of certain individuals and certain mills changed hands as you say but so far as the effect on the industry is concerned I think it was negligible.

Q. You say it affected the fortunes of the individual mills. There were seven of them altogether—six in Bombay and one outside.

A. *Mr. Geddis.*—It affected the agents of the mills and not actually the mills. When they themselves became bankrupt or financially embarrassed the mills had to change hands.

Q. Would not that result in a general loss of confidence throughout the industry ?

A. It is naturally upsetting to the industry to have a contract at a very unreal level. But it affects all purchasers of cotton, including Japan equally.

A. *Mr. Mody.*—This was not an upheaval of such a character as to affect the industry.

Q. I should think that changing hands of six mills in Bombay was bound to have a deleterious effect on the industry.

A. It had a deleterious effect on the share bazaar. But it did not affect the industry.

Q. Not as a sign that the boom period was at an end ?

A. *Mr. Geddis.*—No, because it was not the mills which were actually concerned. It was the agents.

Q. The large American crop and the heavy fall in price is a world factor, is it not ? We have been told, as you know, that the depression in the Bombay industry is in no way due to any world factors, but is not the large American crop and the consequent heavy fall in price a world factor ?

A. That is a world factor that has come into operation since we met last.

Q. That has been the reply which has been given us by some other witnesses. But the point is that although there has been such a sudden and sharp fall this year there has in the last two years been a very heavy American crop which has resulted in a gradual fall and a gradually increasing loss of confidence. Therefore if you admit that the fall in the price of cotton this year is due to a heavy American crop, which is a world factor, does that not apply to a somewhat less extent to the American crop in the last two years ? I cannot see how you can consider the heavy American crop a world factor this year and not in previous years ?

A. *Mr. Mody.*—To a certain extent, yes. This year of course it is more accentuated, and you might say now that it is a factor of some importance. We have never said that world factors had no influence at all on our position.

Q. We have got the monthly statistics of spinning and weaving for June and July, unfortunately the last ones available. It seems to show a remarkable fact. It shows that the production of shirtings and longcloth for the first four months of this financial year in Bombay was very much higher than it was last year.

A. *Mr. Wadia.*—The only point is, after the strike we had to make up for lost time.

Q. When did you open after the strike ?
A. About the 1st of January.

Q. This is from April to July. I am referring to 147½ million yards of longcloth as against 107 for the corresponding four months of 1924 and 113 for the corresponding four months of 1925.
A. *Mr. Maloney.*—There has been a change in the system of collecting statistics by the Government of India since April 1st, 1926.

Q. What has been the change ?
A. The Government of India used to take these figures from the excise returns. Now they take the actual production in the mills.

Q. What difference does that make ?
A. It makes a great deal of difference. Last year the returns of production represented, approximately, the sales.

A. Mr. Mody.—The previous figures were based on the stuff issued out of the mill premises. Naturally it would be less than the stuff produced from day to day.
A. Mr. Maloney.—The figures are not comparable.

Q. It really seems that the figures we have are simply hopeless. There does not seem a single figure on which implicit reliance can be placed. If these figures cannot be used, what figures are we to use ?
A. Previously the figures were based on the Excise returns which were compiled from the number of bales that went out of the mills, and these figures to-day are based on sales. It cannot be a proper comparison.

Q. What are we to compare ?
A. Mr. Mody.—These figures you have got are all right, but you cannot compare them with the previous years' figures.

Q. But even so, allowing that to the fullest extent, it seems fairly obvious that the production is steadily increasing.
A. Mr. Wadia.—You cannot argue that from those figures.

Q. I think a rise from 212 million yards of grey goods to 252 million yards does show that the production is increasing.
A. Yes, but you are not comparing the same thing, as has been pointed out to you. Now, I will give you an instance. A man bought in April—1,500 bales of shirtings. If our returns had been in the same form as last year's, the amount issued out of the mill would only have been 1,000 bales. Therefore you have got 1,000 bales there, whereas this year you have got the whole of the 1,500 bales of which 500 is still unissued out of the mill. So that is 33 per cent. If you take that for all the mills you would very soon arrive at the difference. We have still on hand 500 bales of cloth representing nearly a hundred thousand yards presumably. If we had shown them last year, this would not have been there. We have shown them this year as being production. That is one individual sort in an individual mill.

Q. Your point is that before the 1st of April 1926 the figures are not the figures of production, but were figures of goods issued from the mills, and that now you give figures for the total production which includes everything that is turned out ?
A. Yes. At this time last year our stocks were 100 thousand bales. They were not included in these figures.

Q. It is very disquieting to find that the figures on which we are supposed to work are so unreliable. These circumstances one only discovers more or less casually, but at the same time what the figures do show is that Bombay is more or less sticking to its regular lines whereas Ahmedabad is increasing its manufacture in other lines. The manufacture for instance of shirtings and longcloth in Ahmedabad has gone down considerably for the first four months of April to July whereas the manufacture of dhooties has gone up very considerably. I do not know whether you have seen these figures for Ahmedabad. We have some striking figures for Ahmedabad which show that the Ahmedabad mills were able to pay dividends of over 12 per cent. in 1923, 12¾ per cent. in 1924, and 14½ per cent. in 1925—for the whole of the mills. That is on paid up capital. And they were able to pay dividends of 3¼, 4 and 4 4/5 per cent. in those three years on their paid up capital, reserves, and depreciation funds all in. That is for all the mills—good, bad and indifferent. Those are very striking figures, to say the least of it, and I think you will agree with me that they show that the depression in Ahmedabad is, to put it very mildly, very much less than it is in Bombay.

A. *Mr. Saklatwala.*—May I explain. I happen to have a mill in Ahmedabad also. In the years 1924 and 1925 there were prolonged strikes in Bombay and naturally Ahmedabad

took advantage of those strikes to a great extent, and I know that for a fact, because I have been through the Ahmedabad mills, that they did better in 1924-25 than the Bombay mills, but that does not mean that the causes of the depression are different at all. It may be a question of time. First Bombay is hit and later on perhaps Ahmedabad. And as a matter of fact, I know that during these six months of 1926 they are not expecting anything like the profits that they made in 1924-25. So after all it may be a matter of time. Though the depression has been very acute in Bombay it might not have reached Ahmedabad. They were better off for various reasons in 1924-25, but now they are feeling the depression very severely.

Q. During the last few weeks owing to the American crop that may have been so, but certainly when we were there last, there had been no material change in the situation. The evidence we got when we were up there before the report of the heavy American crop showed that they were still doing fairly well. I do not quite see how the mill strikes in Bombay could have helped them to the extent that you maintain they did in view of the fact that you had such heavy stocks here. I could understand it if you had no stocks at all. But as you had heavy stocks, I cannot see how they were better off?

A. We had heavy stocks. They were better off comparatively because these strikes entailed a heavy loss on the Bombay mills apart from the general depression. The fixed charges the mills had to pay. Therefore comparatively the mills in Ahmedabad were better off.

Q. I can quite understand their being better off because they had no strikes. That is not the point at all. The point is I cannot see what direct benefit they got from the strikes in Bombay. My point is they would have returned exactly the same figures if there had been no strikes.

A. That is not quite so. It is true that Bombay had large stocks but it does not mean that every variety that was being made in the mills was in stock. There were some varieties which were being sold from month to month and owing to the stoppage of the mills we had to stop the production of these varieties, and Ahmedabad got in there. Some contracts in Bombay had to be cancelled because no deliveries could be made. These merchants naturally went to Ahmedabad and got hold of similar stuff from Ahmedabad.

Q. Doesn't that go to show the point which we shall go into in more detail which is that Bombay concentrates too much on particular varieties, and therefore when a strike comes you cannot distribute your losses so to speak. You cannot diminish your stocks in equal proportions in the different varieties ?

A. I do not think Bombay is making a smaller number of varieties than Ahmedabad. In fact Bombay is doing much more in dyed and bleached goods.

Q. Not in bleached goods, not according to the figures we have. The figures show that the production of bleached goods in Bombay is absolutely negligible.

A. I am talking of varieties, not the total quantity. Ahmedabad is bleaching mostly, and that is the one of their main lines. Bombay is making greater number of varieties, in dyed goods especially.

Q. We will go into that.

A. *Mr. Wadia.*—About Ahmedabad, the wages are 12½ per cent. less than those of Bombay. You must add 12½ per cent. to our losses for that.

Q. You say that your wages are 12½ per cent. higher than Ahmedabd ?

A. On the whole we are paying 12½ per cent. more wages than Ahmedabad.

Q. I do not think so. We will go into that later on when we come to the costs of production.

A. *Mr. Wadia.*—Mr. Saklatvala says it is 10 per cent. He has got mills both in Ahmedabad and Bombay and he is in a position to know.

President.—We will go into it presently, Mr. Wadia.

A. It would make a fine dividend if we could have 10 per cent. saving on the wages bill.

Q. Ahmedabad will probably say that you have advantages in other respects.

A. You asked about the reasons and I am giving the reasons.

A. *Mr. Mody.*—I have an idea that in the next two or three months Ahmedabad will be singing to a different tune.

Q. They have also asked for protection as you know.

A. I do not think that they are quite as well off as they have been for the last year or two.

Raja Hari Kishan Kaul.—The result of the cheapening of cotton prices is that you are able to buy American cotton in place of Indian cotton—the cheaper grades of American cotton.

A. On the contrary, the price of Indian cotton has to fall further in order that people may be able to sell their cotton against the American cotton and that will reduce the income of the ryot.

Q. And I understand you to say that it will affect your sales.

A. It will reduce the purchasing power of the ryot.

A. So far Indian cotton has been out of parity by anything like Rs. 15 to very nearly Rs. 30. That brought in naturally large imports of American cotton. Indian cotton has got to go down in parity and to establish a level with American cotton before anybody can think of going to Indian cotton and naturally, to that extent, the Indian cultivator has not been able to sell all his stock and he will suffer, and we shall suffer too because he is our customer.

Q. You say it further reduces his purchasing power?

A. Yes; it is bound to, particularly with the recommendation of the Currency Commission to fix the exchange at 1*s.* 6*d.*

Q. As regards the ability of Ahmedabad to spin finer counts than Bombay we find that Ahmedabad has been spinning more yarn of 31s to 40s in the past year. Is Bombay also going more and more to medium counts?

A. *Mr. Sakhatwala.*—Yes; We are all making dhoties of 30s to 40s counts. A very considerable number of mills have turned a very considerable portion of their machinery on to these higher counts that you refer to.

Q. Then you are sure the decrease in your outturn of counts 31s to 40s is due to the strike or is it due to any other cause?

A. It is due to the fact that we cannot sell the coarser counts of cloth and therefore we are now making this cloth. We are taking the place of the imported cloth. We are poaching on others' preserves. That is our legitimate function, I take it.

Q. But you have actually lost ground in 30s to 40s, while Ahmedabad has gained. That is last year.

A. *Mr. Geddis.*—We had a strike.

Q. That is what I wanted to know. Was it due to the strike?

A. *Mr. Wadia.*—More of 30s to 40s cloth is turned out today in Bombay than ever before in the history of Bombay.

President.—What is it woven from? From what cotton?

A. From Uganda cotton. There are two kinds very well known in the market.

Q. I notice that upto the end of July the production of 31s to 40s in Bombay Island was only 400,000 lbs. more than it was last year and about 180,000 lbs. more than it was in the previous year. In that case, I do not quite understand how it can be that Bombay is producing more cloth of finer counts than it has done in the past.

A. It has increased now.

Q. Since when?

A. Since June. All the mills have increased their consumption of Uganda cotton and we are now going on to finer counts.

Q. It is not yet visible in the statistical returns.

A. No; it will be visible by the end of the year.

Q. As a Tariff Board we are very pleased to hear it.

A. *Mr. Mody.*—It is borne out by the figures.

Q. It is not borne out by the figures which we have got at present.

A. Though not in any appreciable degree these figures do show to a certain extent that we are going more and more to finer counts.

Q. The increase shown there is very small indeed. As a matter of fact it is negligible on your own showing—an increase of 170,000 lbs. over 1924 and that as you just pointed out may be due to the fact that you are now returning everything instead of returning merely the issues from the mills.

A. *Mr. Maloney.*—That does not apply to yarn.

A. *Mr. Mody.*—It does not affect yarn at all.

A. *Mr. Geddis.*—There was no duty.

Q. I see; there was no excise duty.

Mr. Subba Rao.—You explained the difference in the position of the Bombay mills and the Ahmedabad mills by a reference to the strike partly and partly by showing that the wages are lower in Ahmedabad. Would you explain similarly or by other reasons

why the other upcountry mills have been doing fairly well these three years ? I have got from 'Capital' a list of 34 mills in various parts of India. I find that in the last three years every one of them, barring eight, has been declaring a dividend. Does not that give room for thought ? How is it that the upcountry mills all over India have been able to do well these three years ?

A. *Mr. Geddis.*—I think we answered that question about the upcountry mills in our previous statement.

A. *Mr. Mody.*—We have said that up-country mills have certain advantages due to proximity to markets, proximity to coal fields and proximity to the source of supply of raw materials.

Q. But all of them are not near coal fields.

A. They have cheaper conditions of labour as well.

Q. Do you attribute that to cheaper labour ?

A. Undoubtedly, labour is cheap outside Bombay.

Q. Then accessibility of the markets and cheap labour explain why they are able to do well, while it is not the case with Bombay ?

A. Bombay has her own advantages.

Q. So Bombay, you think, is handicapped primarily both as regards labour and accessibility to internal markets ?

A. Yes. It is not so close to the sources of supply as other markets are. We have pointed out also that as regards certain other upcountry centres they enjoy special advantages. For instance, there is an export tax on cotton, in the Nizam's dominions of Rs. 8.

Q. There are only two or three mills there. Except two, no mill in this list is in the Indian States. They are mostly in British territory.

A. As a general statement, we may say proximity to markets and cheaper labour.

A. Then you said just now that you had been turning on to the production of finer counts, and weaving dhoties made of finer counts. That I assume naturally depends on the import of foreign cotton ?

A. *Mr. Wadia.*—Yes.

Q. And is it possible to make the production of finer counts a paying proposition depending on imported cotton ?

A. At the present moment, yes.

Q. Would it make much difference if, for example, the present rates rise slightly ? What would be the margin in case American cotton had not come down since June ? I thought you said that since June you had been going on to finer counts.

A. We are going more and more on to finer counts than before. But you can understand that it takes time to organise this finer counts dhoti business for the reason, that there are no less than 110 different borders, so that you have to produce 110 different kinds of which 5 or 6 may be packed in one bale and further to organise on a large scale a cloth business of which you have to produce 110 different sorts that takes time.

Q. I understand that. But you were able to set on this new path before American cotton fell so low in price.

A. But this has nothing to do with the American cotton. This is Uganda cotton.

Q. And would it also apply to finer varieties of American cotton ? Can you manufacture these counts from that cotton ?

Mr. Geddis.—Oh, yes. It can be done. One could import American cotton to make finer counts.

Q. It can be done ?

A. Yes.

Q. You have been importing Uganda cotton in increasing quantities for the last five years. How is it no great efforts were made, as you say, before last June to get on to finer counts ?

A. *Mr. Wadia.*—It is a matter of supply and demand. There has been a much greater demand for these finer commodities and there has been a smaller demand for our coarse cloth and naturally in order to keep our looms going we turned on to these finer counts. Most of the mills are changing from ordinary coarse shirting to these finer qualities made out of Uganda cotton which they manage to sell easily.

President.—What we want to know is why the effort was not made earlier ?

A. There was not the same demand for dhoties. For example the demand is extraordinarily large now, curiously enough, for finer dhoties.

Mr Subba Rao.—Are not the English dhoties which are imported made mostly of counts 30s to 40s. ?

A. Yes.

Q. And therefore the demand has been there. There is nothing new about it.

A. *Mr. Mody.*—The demand for Indian made finer dhoties has developed recently. Both Ahmedabad and ourselves—Ahmedabad earlier than ourselves—are trying to meet it.

Q. The demand has been there all these years. But you seem to have discovered it for the first time now. When they bought English dhoties of those counts, I suppose the demand was there, and if you could have placed on the market goods of the same quality and the same finish, certainly the demand was there for your goods.

A. *Mr. Wadia.*—I think I understand your meaning to be that we have been rather slack about knowing the market condition ?

Q. You have not been as go-ahead as you might have been.

A. I would remind you that it is a fact that five years ago the facilities for buying Uganda cotton were nothing like the facilities we enjoy to-day. The Uganda crop has begun to come on to the market in increasing quantities only during the last five years so that the cotton was not there five years ago. The second reason is that Uganda cotton when first shipped in small quantities found a market in Liverpool. In those days when it found a ready market there, the difference between it and Broach was very much larger than it is to-day. Its cheapness and the ease with which we can get Uganda cotton to-day have stimulated our demand.

A. You spoke of the adjustment of machinery to produce these finer counts. I should like to know if that adjustment involves very considerable expense. Is it possible to turn on your machinery that is now engaged in producing lower counts to turn out finer counts ? Does it involve considerable expense ?

A. It does not entail any considerable expense as far as the individual machines go. But you must remember that if you are spinning 20s. cotton it requires double the quantity of preparation machinery that 40s does. For instance if you are running 20 ring frames you can run those 20 ring frames with 10 cards on 20s. The number of cards can be cut down by half if you are regularly on 40s. In changing from 20s to 40s the additional expense of production is due to the fact that there will be a considerable quantity of preparation machinery lying idle.

Q. So that you have got to wait till they become economically defunct to turn on to finer counts ?

A. Either that or put in more spindles to make the use of the readjusted machinery for finer counts.

Q. Would that involve expense ?

A. Yes ; considerable expense.

Raja Hari Kishan Kaul.—Or you could run the same spindles double shift ?

A. It is possible ; but Indian labour is not very good at night work and it is very expensive. It is possible no doubt.

A. *Mr. Saklatwala.*—We actually did it in the case of our Tata mills, because some of the machines on order did not arrive in time. Or rather the ring frames did not arrive in time and so we had to work the ring frames we had at night also ; but then we were not satisfied with the production or with the quality. So we had to stop it.

Q. We were told that spinning could be carried on at night but not weaving.

A. It can be carried on ; but the production is less and the quality suffers.

Mr. Subba Rao.—I want to get from you some kind of general statement as to whether you think this kind of change is practicable and can be pursued to a greater extent than now—I mean the change from the lower to higher counts ?

A. *Mr. Mody.*—It all depends on the preferences of the consuming centres. Calcutta was a large buyer of Lancashire dhoties of finer counts. Now the buyers are evincing a preference for our dhoties and so our dhoty trade is being developed. But it will entirely depend upon the preference of the consumers.

President.—But he could not get your dhoties. He has had no chance of looking at them. How do you know what his preference was before ?

A. *Mr. Geddis.*—As Mr. Wadia said, the cotton was not available to us at that time.

Mr. Subba Rao.—That is a different point altogether. You cannot lay the blame on the consumer who has been given no opportunity to use your cloth.

A. *Mr. Wadia.*—We have not been able to give the article for which the consumer had a preference. I wish we had.

Q. I can understand that. But I cannot understand the point that there was no market.

A. *Mr. Geddis.*—I am not quite sure if we can assume that there was a market. It may be that the taste of the buyers for Indian goods of finer counts has been developed in the last few years and it may be that in another year or so the demand for those finer counts will be over taken by the Bombay mills.

Q. But the demand for these finer goods has been there all these years. We understand that about half of the Lancashire goods are made of 30s to 40s counts. It was only a question of your meeting the demand and not the lack of demand. I understand the other point about the inaccessibility to raw material. But that is different from the question of not finding a market.

Raja Hari Kishan Kaul.—So far as the spinning of finer counts from imported cotton is concerned, you have certain advantages over the upcountry mills. For instance, the greater humidity, the cheaper price at which you get imported cotton, your cheaper stores, your more or less trained labour, put you in a better position to go on to finer counts than Ahmedabad or any other upcountry centre.

A. *Mr. Wadia.*—It is rather difficult to say. I would hesitate to say "yes". Ahmedabad has got better labour. They have got better weavers than we have, I think, and their labour is more constant and certain. I would not when comparing ourselves with Ahmedabad, say we are anything better but here again Mr. Saklatwala will bear me out that Ahmedabad labour is not so migratory.

A. *Mr. Saklatwala.*—That is true.

Mr. Subba Rao.—Also by birth or by caste they are weavers.

A. Yes; they are a better class of weavers.

Raja Hari Kishan Kaul.—Assuming there is no difference in the efficiency of labour, the other factors would work in your favour.

A. *Mr. Wadia.*—Yes.

A. *Mr. Geddis.*—Except to this extent that the upcountry mills are possibly nearer the consuming markets than our mills and therefore what advantage we gain owing to cotton arriving here, they would gain by not having to send the cloth bales so great a distance.

Q. How far is it possible to spin medium counts—31s to 40s—from the best of Indian cotton?

A. *Mr. Wadia.*—I do not know if it is a practical proposition for continuous work year in and year out, throughout the 365 days in the year. It is not possible to get sufficient quantities of Indian cotton for the purpose.

Q. It is possible to spin but you say there is not sufficient quantity of cotton available?

A. There is no Indian cotton available in bulk to supply our requirements.

President.—I would like to go into that a little more closely. What staple of cotton is required to spin 30s to 40s?

A. What length of staple?

Q. Yes.

A. The minimum length is one inch. Generally it varies from one inch to 1⅛ inches. The lower qualities might be used for 30s.

A. *Mr. Mody.*—An inch and one eighth is generally required.

Q. The Indian Central Cotton Committee have given us figures showing that there are about 2 million bales of cotton in India of a staple of ⅞th inch and over. Are any of you gentlemen on the Central Cotton Committee?

A. *Mr. Saklatwala.*—Yes, I am.

Q. What proportion of this cotton would be suitable for spinning 30s to 40s?

A. There is the Nizam's Dominion's cotton—say about 50 per cent. of the Nizam's Dominion cotton will be available for higher counts and also some of the Sind-American cotton which they are growing now. But that is mostly on trial farms. Except from seed grown on these experimental farms we cannot go beyond 30s. As you know the Punjab is growing better cotton now.

Q. What about Cambodia?

A. Yes.

A. *Mr. Geddis.*—It will be easier if you split it from 30s to 36s and 36s to 40s; because there is a considerable quantity of Indian cotton from which you may be able to spin 30s to 36s. But if you go above 36s, then there is a very small quantity.

Q. What we want is some fairly definite figures showing how much of these two million bales of cotton is suitable for 30s to 36s.

A. *Mr. Wadia.*—Ten per cent. spin 36s.

A. *Mr. Mody.*—All that we can say is that cotton suitable for spinning 40s would form a very small proportion. Can you not get the figures from the Central Cotton Committee ?

Q. I propose to ask the Central Cotton Committee about it. I thought Mr. Saklatwala being on the Central Cotton Committee might possibly be able to give us a rough idea.

A. For 30s to 32s it is all right. But if you go on to 40s it will be a very small proportion of the 2 million bales.

A. *Mr. Wadia.*—Even so, Sir, the difference is enormous between good Uganda cotton and the very best Indian cotton. For instance spinning 30s—I am giving the figures from memory, they may possibly be wrong—my recollection is that spinning 30s from Indian cotton you put in something like 27 turns per inch and you can spin the same from Uganda or other good American cotton with only 21 turns. That will make a difference in production of at least 50 per cent. I do not bind myself to these figures but I am telling you approximately what I remember.

Mr. Majmudar.—When you were running the Tata mills at night, what counts were you spinning, coarse, medium or fine ?

A. *Mr. Saklatwala.*—On an average it was about 20s.

Q. You did not try 40s ?

A. No.

Q. Don't you think that if you were running night shifts on 40s with a better kind of cotton there might not be much difficulty in getting a good quality of yarn ?

A. Yes, on better cotton. But still of course there would be the difference in production between day work and night work.

Q. To what extent ?

A. Not to such a great extent as in the case of coarse counts ; but still there would be a difference.

Q. You would not put it at more than 5 per cent ?

A. It is very difficult to say. It might be about that.

Q. Then as regards fine yarn, the market for this is Madras and as regards fine dhooties the market is Calcutta. Is not Bombay nearer to these consuming centres than Ahmedabad and other mofussil centres of the textile industry ?

A. *Mr. Wadia.*—Bombay is nearer geographically to Calcutta. But I do not know whether it has got better communication with Calcutta. Certainly not with the Punjab.

Q. Madras ?

A. I do not think we sell fine dhooties in Madras.

Q. Fine yarn is consumed by Madras to a great extent.

A. Yes.

President.—You have not told us what you consider the outlook owing to the fall in the price of American cotton. Do you consider that the price of cotton can now be held to have reached rock bottom and that that will mean a greater recovery of confidence ?

A. *Mr. Geddis.*—I am afraid it is impossible to say.

Q. At any rate you as business men must have formed some sort of forecast.

A. *Mr. Mody.*—We can tell you what the bazaar people are saying. They are thinking of a 12 anna cloth.

Q. Are they thinking of 5 anna cotton ?

A. They are not.

Section II

Nature and extent of competition between imported goods and those of Indian manufacture

Q. With regard to Section II we have received a letter from Mr. Maloney pointing out what we already know, which is the difficulty of getting prices of competing lines. Nobody realises those difficulties better than ourselves, especially as we have been going round the various markets trying to get them, but I am afraid that does not absolve the millowners from making the attempt and I think the Association should have done so in the first instance. We have very recently received a further representation from the Japan Cotton Spinners' Association which has, unfortunately, as on the last occasion, only reached us very late in the day. I am not sure whether all of you have got copies. There they point out that the Japanese imports into Bombay according to your published statement have considerably decreased since the beginning of the year. They say that the imports of Japanese drills have greatly diminished since 1925 and that the imports of Japanese sheetings has similarly diminished.

A. *Mr. Mody.*—We would like to look at these figures.

Q. You will have to examine the figures yourselves. Have you been watching the course of the figures ?

A. *Mr. Maloney.*—We have been watching the trend of the Japanese imports.

Q. Then you should be in a position to say whether they have diminished or not.

A. I cannot say about the Japanese drills and sheetings. They have turned their attention to dhoties in Calcutta.

Q. You admit that the competition in sheetings and drills has weakened ?

A. I would not go so far as that.

Q. I hope to be able to give you copies of this statement before the end of the day's sitting in case you wish to make any comments on it. They further give some information about prices. The price of their drill is Re. 1 and yours they say is 12 and 13 annas. As regards sheetings their price is about a rupee per pound with duty of course, against your price of 11½ annas to 12 annas.

A. *Mr. Mody.*—Do they say that they have dropped out of our markets ?

Q. More or less, yes.

A. What are the figures they give for the imports in these 9 months—the total figures ?

Q. Here is the statement they give.

Mr. Subba Rao.—They give it only for the Bombay Presidency.

A. *Mr. Maloney.*—I do not agree even for the Bombay Presidency up to the end of September. May I ask you about the total imports from Japan ?

President.—They say that most of their T-clothes and domestics are re-exported. Your figures do not throw any light on that.

A. I think a lot of re-exports which they consider re-exports are sent from here to Karachi.

Mr. Subba Rao.—They say 'Japanese sheetings are imported to-day (into Bombay) almost wholly for re-export to such ports as are not served direct by Japanese Steam Ship Companies.'

A. They have just started a service to Karachi direct. A lot of goods are still transhipped from Bombay.

President.—I think the best plan will be to give you a copy of that statement so that you can study it in detail.

A. *Mr. Mody.*—We have an idea that their total imports have gone up in respect of the whole of India.

Q. They say the Japanese exchange is now back at the prewar parity, allowing for the difference between a 1s. 6d. and 1s. 4d. rupee, *i.e.*, that it is at 135. We have got some information from the United Kingdom which throws considerable light on this question of Japanese competition. It is to the effect that cloth containing yarn in warp or weft of counts between 30s and 40s forms about 40 to 45 per cent. of the total exports to India, in which case it would seem that Japanese competition as regards quality is mainly with the United Kingdom.

A. On the last occasion I pointed out to you that their imports were of particular varieties, jeans, sheetings, T-clothes and I stated that it might be argued on a superficial examination that the Japanese imports were very small in volume. I pointed out, however, that they constituted a very considerable proportion of the Indian production in these particular sorts. It does not seem as if the Japanese imports were largely concentrated on the finer sorts. We still maintain that T-clothes, sheetings, jeans and drills form a considerable proportion of the total imports.

Q. But a diminishing proportion according to them.

A. We hope so. We have not looked into those figures yet.

Q. The shirtings are the bigger part of the Japanese imports now. Are they not ?

Mr. Subba Rao.—The shirtings have gone up from 59 to 83 million yards.

President.—The shirtings are very much the greater part of the Japanese imports. They form the largest proportion. Is that not so ?

A. *Mr. Maloney.*—Yes.

Q. Eighty-three millions out of 215 millions. As far as we have been able to discover, the Japanese shirtings are mostly between 30s and 40s counts and therefore compete directly with the United Kingdom rather than with the Indian production. That is the point I wanted to bring out at the moment.

A. *Mr. Mody.*—We are not prepared to admit that the bulk of the 83 million yards is between 30s and 40s counts.

Q. Then, it is for you, Mr. Mody, to prove the opposite. I can only say that we have obtained such samples as we have been able to get and that to the best of

our information they consist almost entirely of counts between 30s and 40s. If you are not prepared to agree to that, it is, I venture to think, for you to prove the opposite. You have not produced any samples. We have obtained the best information we could get and if you disagree with it, it is for you to produce a range of samples as wide as ours showing that our conclusion is incorrect.

A. I am afraid you have not understood my point. I said that in the absence of exact figures we are not prepared to say anything ourselves as to whether they mainly constitute counts between 30s and 40s and whether these 83 millions are under the heading of shirtings alone or longcloth and shirtings.

Mr. Subba Rao.—Longcloth and shirtings.

A. We are not prepared to say that the whole of that is of fine counts.

Q. There is one small point. Can you tell us why there is such a large import of fents for the United States that is their chief, in fact, almost their only line?

A. *Mr. Maloney.*—I think they send all the bad pieces to India, pieces which they cannot sell in the United States. They used to sell a lot of drills as well.

Q. The reason why I put this question is this. The imports from the United States are not very large. But I do not know whether your Association is aware that the Southern States of America have no Labour Law and that there is no prohibition of female labour or double shift work. I do not know whether you are aware of this fact which has come to our notice in the course of the enquiry.

A. Is it a general practice to work double shifts?

Q. There is no prohibition.

A. *Mr. Geddis.*—What is the actual practice? Do they work in the nights and longer than 10 hours?

A. *Mr. Maloney.*—I think you will find that most of these mills work 48 hours a week.

Q. That is in the Northern States, Massachusetts.

A. And in the Southern States of North America. I think I can supply you with full information on the point.

A. *Mr. Mody.*—If I can go back to the question of the imports of longcloth and shirting, I can only give you the figures which are officially available and upto the period of 1923-24. These are the figures given by Mr. Chadwick in a letter to our Association.

Q. We have got later figures.

A. I will make my point clear. What you said just now was that these longcloth and shirtings are of finer counts and therefore they do not compete against our production. But if you take the figures of 1923-24 you will find that the Indian mill production is shown as 444 million yards, the gross imports being 186 million yards. The total is 630 million yards of which imports form 30 per cent. So if you base any conclusion on the figures of 1923-24, you certainly do not arrive at the conclusion that in long cloth and shirtings there is no Japanese competition against us.

Q. That is not my point at all. My point was this. I do not deny for the moment that the Japanese long cloth and shirtings may compete indirectly with Indian mill production. But my point was that, in the counts from which it is made, it is more in direct competition with the longcloth and shirtings from the United Kingdom. I would put it in a different way, and say what seems to be happening is that the Japanese are giving the Indian consumer a Lancashire article at an Indian price.

A. *Mr. Geddis.*—Well, Sir, it is not possible to say how much of their shirtings come in between 30s and 40s. We cannot possibly get the information. You may have collected the samples which may be between those counts. On the other hand, one can get samples below that. But that does not prove which is in the majority.

Q. We got certain samples. We have to base our recommendation on such information as we have been able to get.

A. *Mr. Mody.*—But imports which compete against so large a percentage of our production cannot be said to be merely indirectly competing against us.

Q. Why not take Lancashire longcloth and shirtings and say that they are equally competing against your production?

A. But that is not shown by the figures; I am dealing with the actual figures and they show that our production has been as high as 444 million yards in 1923-24 and that forms at least in that year a very considerable proportion of our total production.

Q. On your present argument, Mr. Mody, why do you take the Japanese longcloth and shirtings as the only longcloth and shirtings that compete with yours? Does not the United Kingdom compete? We have got these figures which show that half the exports of the United Kingdom to this country consist of counts between 30s and 40s. I cannot see how the Japanese longcloth and shirtings can be said to compete with yours

to any greater extent than do those from the United Kingdom. That is my present point.

A. In any case, you will admit that they do compete with our principal lines. They may compete against Lancashire as well.

Q. I say that as regards quality the evidence goes to show that the direct competition is with Lancashire. As regards the prices the case may be different.

A. I am quoting from an official authority, where they practically admit that there is competition in certain lines.

Mr. Subba Rao.—We want to know the competition in special lines.

A. Longcloth, sheetings, T. cloths, domestics and others.

President.—You might as well say that because the United Kingdom sends dhoties—putting it in an exaggerated way—United Kingdom dhoties of 60s to 80s counts—these compete with your dhoties because you also make dhoties. The only inference that can be drawn from these figures is that because Japan sends longcloth and shirtings and because you make longcloth and shirtings the two compete.

A. I am drawing the inference from Mr. Chadwick's letter, that we work in competition with the Japanese lines. It is contained in these tables.

Q. Mr. Chadwick's letter is based on the information which was then available; and we are endeavouring to test the correctness of the opinion expressed there. It is not worthwhile discussing the point.

A. But the conclusion drawn by Mr. Chadwick is that 70 per cent. of imports from Japan are in direct competition with our mill-made goods. This is in his own letter.

Q. I do not accept those figures. Such information as we have now obtained seems to cast some doubt on their correctness.

A. So you do not accept the Government of India figures?

Q. No; we do not. We are here to verify them. That is what we have been appointed for.

A. I thought that the Government of India possessing all the facilities for compiling statistics and tables should know something about it.

Q. I do not think we need discuss that point at the moment. My point is that we have been directed to investigate the correctness of the data put before us. If we are able to prove that that statement is incorrect, I do not suppose the Government of India will mind it for a moment. The Government of India do not wish us, as you appear to think, to accept that statement as sacrosanct.

A. I do not suggest that. But then, we would very much like to have grounds for saying that the statement was incorrect; and we would like to know what is the exact information.

Q. You will get our report in due course.

A. We would like to have it so that we may meet it if we can. We can now only go upon this official statement.

Q. The Government of India's figures are based on data which are available to everybody. They are based on data which are available to you. We have since discovered from an examination of the actual Japanese cloth which is coming into this country that a very large proportion of it at least is of counts between 30s and 40s which, I maintain, have in the past, until as you now say, you turned your attention to finer goods, competed with you only indirectly.

A. *Mr. Geddis.*—Your data must be very complete before it leads you to question the figures of the Government of India. I think we ought to get an opportunity to examine your data, Sir.

Q. My point is, we have to work out the figures. We shall do so in due course. My point is—a point which you do not seem to understand—that the Government of India merely drew an inference from such data as they had. We have further data and we shall draw our own inferences from them. One of the first things we asked in our questionnaire was "do you accept these figures are correct"?

A. *Mr. Mody.*—I do not for a single moment ask you, Sir, to regard these figures as sacrosanct.

Q. You have said yourself that the Association is unable to vouch for the accuracy of the estimate and it is only an estimate. My point is this is only an estimate. The Government of India merely offer it as an estimate.

A. But my whole point is that we as an Association are entitled to go upon the official estimate. If during the deliberations of your Board certain other figures have been established to your satisfaction, all that we say is that we hope you will give us an opportunity of looking into them and replying to them if need be unless you think

that the figures you have received are absolutely above suspicion and cannot be challenged in any circumstance.

Q. We cannot give you an opportunity of discussing with us every conclusion which we may come to on our figures. You will have the opportunity afterwards.

A. It is the crux of the whole problem. Once you come to the conclusion that a large part of Japanese imports do not compete with us, I think it is a serious matter, and we should have an opportunity to reply.

Q. You can have the data. Our data is that the bulk of the Japanese shirtings which come in are between 30s and 40s.

A. *Mr. Geddis.*—That is the statement you make, Sir, and we want to know what facts or proof you have to establish that.

Q. From the samples we have collected.

A. You collected the samples from the bazaar ?

Q. And from the Customs. We have a large range of samples from the Customs.

A. Do you consider that as conclusive ?

Q. In the absence of other evidence, I consider it is the only evidence on which we can base a conclusion.

A. *Mr. Maloney.*—May it not be that the importations of even one of those samples might be equal to the total of the other 39 or 40 ?

Q. That might possibly be so. But my point is that this Board can only base conclusions on such data as it has got. I admit that the data are very imperfect. But it is a point I cannot too often labour—we are bound to base our report on such data as we have got, and if the data are incomplete, it is not our fault. We have done our best to obtain the best data we can.

A. *Mr. Geddis.*—The point is, we have been unable to secure the information you want and I hold that the information you have is not sufficient to establish as a fact that the bulk of their cloth is between 30s and 40s.

President.—I think the Board will fully point out the value which attaches to such conclusions as it may draw from its data, owing to the character of the data. I do not think you need have any apprehensions on that at all.

A. *Mr. Mody.*—So far as that goes, it is all right. Only we wanted an earlier opportunity.

Q. We can only gather information as we go along. Personally as far as getting at the facts is concerned we could very well sit for several more months in order to sift our data more completely.

A. I thought if we had the facts, it would be helpful in arriving at a conclusion.

Q. We will bear that in mind and, if necessary, we will refer the matter to you when we get to that part of our Report.

A. Thank you.

Q. As regards this question of hours, I will read you an extract from Mr. Shirras's evidence. He was in America last year and he investigated conditions there. He says :—

'In Massachusetts the working hours for women and children in textile mills have been limited by law to 48 per week and 9 hours per day, whereas in no Southern State, except South Carolina where the weekly limitation is 55 hours and Tennessee 57 hours, is there a limitation of less than 60 hours per week and 10 hours per day. Further, in Massachusetts the employment of women and children in textile manufacturing is prohibited after 6 p.m. and before 6 a.m., but in none of the Southern States is night work by women prohibited in textile manufacture.'

A. *Mr. Geddis.*—That does not state what the practice is there.

Q. That is the legal position.

A. *Mr. Maloney.*—I have a publication issued by the Bureau of Labour in America showing the results of an enquiry into the hours of work in the industries in America.

Q. If you could send it to us it would be a help. But at any rate it would seem to show that there would be some ground at any rate for considering that any differential duty against Japan on the ground of labour conditions would have to apply to the United States as well.

A. Though they have the law they may not be working more than 10 hours a day, and they may not be working at night.

Q. That is a point which we shall have to verify in the light of Mr. Maloney's information. When you were here last I pointed out that there were no separate statistics published for bleached goods and that figures for such goods were not available. That

hardly seems correct. I understand that you do submit separate figures for bleached goods even now ?

A. *Mr. Maloney.*—No, Sir; none at all.

Q. At any rate you were doing so up to the end of 1925 ?

A. No, Sir.

Q. Why were you not doing so ?

A. The cotton duties did not apply to them.

Mr. Majmudar.—On bleached goods we were paying excise duty according to the real value of the bleached goods, on grey goods according to the tariff values, and, both were mentioned separately in the return ?

Q. I have figures here for the output of bleached goods in Bombay obtained from the Collector of Customs. I assume he must have got them from the mills. The production of grey and bleached goods during the last two calendar years in the mills in the town and island of Bombay are shown here. The bleached goods are shown separately.

A. Not to my knowledge.

Q. He gives them here. About 900,000 pounds of bleached goods.

A. I do not see how he has got these figures. At any rate they are incorrect. They may be able to get at the figures from the Excise duty returns by separating the classification but I do not see how they can take the correct figures, because bleaching establishments pure and simple were not affected by the Cotton Duties Act.

A. *Mr. Geddis.*—The bleaching works were outside the mill compound. When the cloth passed outside the mill the excise was on that, and when it went next door into the bleaching works it was separate.

Q. We shall endeavour to see how he obtained these figures and what they represent.

A. *Mr. Maloney.* —We suggested to the Government of India that these figures should be obtained and then going into the question further we found it was practically impossible to get at the correct estimates of bleached goods because they might be recorded twice.

Q. We will ask the Collector of Customs.

A. I do not think the Collector of Customs can give you reliable figures.

Q. The Collector of Customs has told us that these are compiled from the returns of each individual mill.

A. *Mr. Geddis.*—The excise duty was collected on grey cloth as it passed out of the mills to the bleaching works.

Q. How did he get the figures for bleached goods ?

A. I will ask the Secretary to make enquiries.

A. *Mr. Wadia.*—I do not know how he can get them. We had bleaching works next door to the mills and we used to pass grey goods to be bleached and gave a statement for grey. When we passed it out we could give our own figures, and so could every mill.

A. *Mr. Saklatwala.*—When we pass it out from the mill gate and it goes to the bleaching house we have to mention that these goods are going to the bleaching department and he takes it that all that is bleached. Just as other goods are passed out, either they come into our godown or are delivered to the merchants and some go into bleaching. Perhaps it is assumed that this is all bleached.

A. *Mr. Geddis.*— We shall investigate it.

Q. I should be glad if you would.

A. *Mr. Maloney.*—I think it is very much underestimated. There is no complete record of bleached goods. It may be possible to check figures going into the bleaching works, but I do not think it is possible to check the amount of cloth going from one mill to another mill's bleaching shed.

Q. Are there many bleaching works attached to mills in Bombay which bleach for other mills ?

A. Mills bleach for other mills if they have sufficient bleaching capacity.

Q. Do they do it to any large extent ?

A. *Mr. Geddis.*—It will be difficult to give a figure.

Q. The Bombay Dyeing Company, I suppose, would ?

A. *Mr. Maloney.*—Yes.

A. *Mr. Wadia.*—They have separate bleaching works.

Q. As also Sassoons. And they would bleach for other mills ?

A. Yes.

A. *Mr. Saklatwala.*—In the Tata mills we are bleaching for other mills.

Q. It should be possible to get from these mills some sort of figures as to how much bleaching they are doing. Can Mr. Maloney get them ?

A. *Mr. Maloney.*—I cannot place any degree of accuracy on the figures I may obtain.

Q. At any rate you can tell us what these figures represent and how far they can be relied upon.

There is one point about the Japanese wages. You gave certain figures last time of Japanese wages which were based on the Financial and Economic Annual, but that only gives figures for cotton spinners and weavers. These figures do not agree with the figures obtained from the Japan Cotton Spinners' Association's half-yearly statement. I do not know whether you have gone into that question at all ? It is very difficult for us to say which is to be accepted. The figures in the Annual give a considerably lowe. range of wages than one gets from the Cotton Spinners' Association.

A. I cannot explain it at all, Sir. These are the figures on which the cost of living and other statistics are based. These are the official figures, in the Financial and Economic Annual. We know the figures of the Japan Cotton Spinners' Association include all sorts of allowances.

Q. And they would cover only their mills and not the outside mills ?

A. We have not any figures from the Japanese Cotton Spinners' Association about weavers. This is the only information for weavers.

A. *Mr. Saklatwala.*—This morning we were discussing Japanese cloth. I have got two samples of Japanese shirtings. I am told that they are more or less representative samples. I have not exactly analysed them. At any rate this one is 35 inches by 40 yards. I will send a sample to my mill. A rough analysis shows that it is at the most 24s warp and 22s weft.

Q. I was not disputing the fact this morning, Mr. Saklatwala, that there were Japanese shirtings coming in below 30s and 40s. My point is that the majority was above.

A. These are the cloths mostly seen in the markets.

Q. We have seen a certain number of popular brands up-country, going round the up-country piecegoods markets. We know by this time which are the most popular brands.

A. *Mr. Mody.*—May I point out, Sir, that of the samples which you sent to the Bombay Dyeing Company to analyse I found that as many as 3 out of 6 are of 24s warp.

Q. Which are you referring to ? Those samples were not the ones we sent to the Bombay Dyeing Company. Sir N. N. Wadia got them himself, I think. We sent him a much longer list and I was comparing the two the other day and our list contains only one or two of these.

A. Anyway he must have picked up these samples and he found that three out of six were of 24s warp. In Table I of the Bombay Millowners' Association's reply to the Questionnaire there are 'Asli', 'Toyo'.....

Q. Look further down, Mr. Mody and you will find two more. It is 5 out of 9.

A. That means more than 50 per cent. of these 24s warp.

Q. The point is one we shall examine very carefully.

Mr. Subba Rao.—Examining you on Section II, with reference to what happened last time, I just want to set one point right. You will remember perhaps I took exception to one statement you made. You gave certain figures and said these 'bear eloquent testimony to the enormous diminution in exports of the staple production of Indian mills and this great setback which the indigenous industry has suffered in export trade is very largely due to the rigour of Japanese competition'. In examining that statement, I made as a matter of fact several points, and you gave a reply the following day, which also found its way to the press, which suggested as though I had based my entire criticism of that statement on one error in your Statement—a printer's error. It said 'Mr. Subba Rao expressed the view that as far as Siam was concerned the figures of exports from Japan ..... show that in that market at any rate Japan also had lost ground during recent years.' I am not anxious to labour the point unnecessarily, but I want to suggest that my general conclusion was not based upon that one printer's error about Siam. What I said was that the exports of grey goods taking those two years certainly did not show an increase nor an appreciable decrease. They were 43·4 and 44. In the latest year they have become 36. So there is some diminution but not an 'enormous' diminution and also if you look at the table the diminution took place before the war, before you got anything like Japanese competition. And I also suggested hat in some countries you mentioned like Straits Settlements and Mauritius any diminuion in your exports of grey goods might be due to the fact that there was a change in he people's taste, that instead of these goods they might have taken coloured oods. You will find in the report of the proceedings figures to support this iew. I want to say that my criticism was not based on that single statement made

due to an error, a printer's error in your statement. I want to point out further that some of the figures you have given in this statement require much more careful revision than you seem to have given. For example take the statement about Persia of the statement, that the exports of yarn from India to Persia have fallen between 1924 and 1925. Now they are given in Persian units—in krans. I do not know where you got them from but if you look at the Indian Trade returns—page 766—you will find that the exports of yarn to Persia have increased and not decreased. In the year 1923-24 the total amount of exports was 2,314,000 pounds. Next year 1924-25 it was 3,228,000 and in 1925-26 it was 3,617,000 pounds.

A. *Mr. Maloney.*—May I explain that latter point first. The figures you were speaking of were taken from the Persian returns of Sea-borne trade. The figures you quoted just now are taken from the Indian Sea-borne trade returns.

Q. You simply based a very important conclusion on one set of figures.

President.—How is it that the two differ ?

A. There are reasons. I have a special note on the subject giving the reason why the Persian figures were used, and everything. The note was sent round at the time we examined the Persian trade returns. That was sent round to the members of the Association.

Q. Speaking generally what is the cause of the difference ? We ought to have it on our record.

A. That is one of the reasons, but I would rather submit the whole statement than trust to memory.

A. *Mr. Mody.*—Whilst we are on this point may I point out what the position exactly is as regards the production and exports. We find that while the production in the last five years has gone up by over 50 per cent. exports have fallen by 50 per cent. in grey goods.

Mr. Subba Rao.—Will you be taking the boom years or taking 1913-14 ?

A. The last five years and the average of the five pre-war years. The production in grey goods in the average five pre-war years went up from 854 to 1,310 million yards whereas the export has come down from 47 to 34 million yards.

Q. You should not take the later average—your boom years. In exports you should take the pre-war average and compare the later years. You said five years. If you go to 1920-21 it is one of your boom years.

A. If you like I will prepare the statement. Even if you take the last three years and you compare the average of the three pre-war years you will find that whereas the production in grey goods has gone up tremendously the exports have gone down.

President.—Has the total gone up or come down ?

A. It has come down, relatively.

Q. It is not a question of 'relatively'. It is a question of 'quantitatively'.

A. Quantitatively we are worse off than we were.

Mr. Subba Rao.—I really believe that you ought to develop your export trade, and when I made a general statement I rested it on no one set of figures. I am not anxious to show that I am differing from you but merely want to say that my conclusions were not based on one single statement. I do not differ in this that the export trade should develop far more than it is now.

A. I am making a statement apart from that, that what has been lost in grey goods has by no means been made up in coloured goods.

Q. I should like to know that. What is the percentage of the increase of coloured goods ?

A. I will take three years if you do not want five years. I will give it to you. I have got five years' figures here. I can hand them over to you now.

Q. On these figures do you mean to say that coloured goods have not made up for any reduction in grey goods ?

A. Not quantitatively, as the President said.

Q. Your average export of grey was 47 in the pre-war years and in the last five years 34—a difference of 13 million yards. Coloured goods pre-war were 42 and during the last five years 130—an excess of 88 million yards.

A. Look at the enormous increase in grey goods and the drop in export.

Q. I am not comparing with your total production. The trouble has been that the production of cloth and yarn in the country has been far in excess of your exports. It has been admitted that the shortage of export of yarn has not been made up for by any increase in the export of cloth. That was not disputed.

A. The percentage increase in coloured goods in export has been very considerable but quantitatively the case has been reversed.

Q. Even the quantity is greater. 47 to 34 is the decline. The increase is from 40 to 130.

A. How far has production gone up in the meantime ?

Q. I do not say that the increase in the production of grey goods has been made up by the increase in the export of coloured goods. All that I said was that your diminution in grey goods has been made up to a large extent by increase in coloured goods. So what might look from one point of view to be diminution may be considered from another as a real increase, because an article at a lower stage of production has been replaced by an article at a higher stage of production.

A. *Mr. Geddis.*—I do not think that will be quite correct because the figures show that whereas our grey exports have decreased to various coutries the Japanese exports to these countries have taken their place.

Q. I was not comparing Japanese exports at all just now. I was talking about your statement of enormous diminution in grey exports. There was no enormous diminution. You cannot call this diminution of 13 million yards enormous when you get that replaced by an increase of 88 millions in coloured goods. I do not see how you can say a diminution of 13 replaced by an increase of 88 is an enormous diminution.

A. I do not see that it has been replaced. It is an entirely different kind of business.

Q. I know it is a better kind of business. It goes up from raw cotton to yarn, from yarn to grey goods and from grey to coloured. So, it is a higher stage of production.

A. It has not been replaced. The coloured business is a business by itself. Much of our grey business has been taken from us.

Q. When I say 'replaced' I mean the country which has been buying grey has been taking more of coloured goods. For example, I have given the Straits Settlements. Coloured goods went up there.

A. That does not mean that coloured goods have replaced the grey goods.

Q. They are buying from you a better line of goods. You cannot expect to keep on supplying the same goods to the same countries. There are bound to be changes in the currents of trade. However I need not labour that point. What I felt was that the broader points I made were left on one side and minor points were given publicity.

A. *Mr. Maloney.*—Your point is that there has been a change in the character of the demand ?

Q. Yes.

A. I have made a note here that "without more definite proof by trade returns for a large number of years it is impossible for Mr. Subba Rao to maintain the contention that there has been a change in the character of the demand which would account for the lesser exports of grey and greater exports of coloured goods." At any rate it would seem to be the case in Kenya and Malay that grey goods are imported in far greater quantities.

Q. I was not suggesting as regards all markets. I took in particular Mauritius and Straits Settlements.

A. The Sea-borne Trade Returns of these countries, in the case of two out of three, prove that the bulk of the trade is still in grey goods.

Q. I said it looked as if there has been a change in the character which has got to be dealt with. It might be tenable or not, but you made out that I made that statement basing it on one single printer's error. Now, I should not like it to develop into a difference of opinion about the export trade. I was only examining a statistical point.

A. My point is that only for three countries out of our chief markets we have trade returns, and they show that the character of the trade is still in grey goods and not in coloured.

Q. And these three are not your biggest markets either for coloured goods or for grey or for yarn. Your biggest markets are Mesopotamia (10 million yards grey), Persia (4 million yards) and Portuguese East Africa. Now, I am merely asking for fuller information. I made certain suggestions on the basis of your figures. I certainly must go into them as fully as possible. Then before I develop the point about the export trade let us get another trouble out of the way—the relation between the Japanese exchange and imports. You have drawn up a chart which stops at 1925.

A. *Mr. Maloney.*—It stops at 1925 for the reason that it was absolutely fallacious to draw any conclusion from the monthly statement. We must take a full year's imports before we can trace the effect of depreciated exchange.

Q. The bills run for 60-90 days, and the exchange of a given month or given week is bound to have an effect on the movement of goods.

A. I do not agree. I cannot see that you can prove that the importation of any particular month will be affected by the quotations of any particular month.

Q. Not that month. There is bound to be a lag. Therefore take the exports month by month and take the course of exchange. That is done everywhere. They generally take exchange as one side and take the exports on another, month by month and if possible week by week to find out the general trend of the movement.

A. Don't you get the general trend of the movement by taking the full year's ?

Q. That may be due to other causes—the cheapening of goods, there may be an earthquake. That is never done so far as I know.

A. A more clear idea of the shape of a curve is got by eliminating the ups and downs of that curve. You will get it better by taking a year's figures.

Q. Certainly you might eliminate the ups and downs, but the general drift of the curve is bound to have some significance. Exchange sold on a day must be equal to the exchange bought that day as has been said. The supply of bills and the demand of bills must be equated within a short period; the adjustment does not go on for a whole year.

A. That would be quite admissible if we were only dealing with one type of imports against your exchange quotation but your exchange quotation does not depend entirely on the imports of piecegoods from Japan.

Q. Then you must take exchange not merely of Japan and India but of Japan with a number of countries and in that case the chart becomes quite useless.

A. If you want it done month by month I can do it.

Q. I have done it. Exports seem to have moved not in relation to exchange rates but in relation to certain periodical needs of the country for raw cotton. You will find there is a correspondence between the Japanese imports of cotton and Japanese exports of cotton goods showing the exchange by itself is not the dominating factor. Their need for goods corresponds with the exports. I only wanted to show that the exchange factor is not so dominating a factor in the trade relations of India and Japan. You cannot take exchange and say it is the most important factor. It is an important factor. No economist would deny that a falling exchange or a rising exchange affects, but not for all time, the trade. You would expect to find when exchange began to improve the exports to India would come down. They have been going up in spite of it showing that the original exchange advantage has worked itself out and the real factors making for international trade have begun to play their part.

You suggested sometime in the morning that up country mills had a great deal of advantage in the production of cotton goods because of proximity to raw material, accessibility to markets and because of cheapness of labour, assuming that their labour is proportionately efficient.

A. *Mr. Mody.*—We have pointed out in our original statement what the relative advantages are as between the Bombay mills and upcountry mills and we stand by that.

Q. Therefore in view of these advantages and in view of the fact as you yourself possibly know production has been increasing very considerably, I suppose you believe that it is desirable for Bombay to turn a good deal more than she has been doing so far to export trade. Is that a controversial proposition or would you accept that ?

A. I do not think that it is controversial. We certainly want to develop our export trade.

Section III

Internal Competition

President.—In regard to Section III there is not very much to be cleared up. I think Mr. Maloney said that he could give us some evidence as regards the cost of coal.

A. *Mr. Maloney.*—I think that went by the board by the subsequent examination of Mr. Saklatwala. I will give the figures given to the Coal Commission.

Q. I am not quite sure whether it comes in here or later on in regard to the cost of production. At any rate, such cost of production sheets as we have obtained do not show that electric power is cheaper than coal. I do not suppose that it is your contention ?

A. It is not cheaper. Coal is much cheaper at present but of course it is impossible for mills to go back to coal.

Q. That is a point we wanted to go into. We are working out the cost per spindle per day and we find that coal is cheaper than electric power. But it is a little difficult to find out on what basis you made the calculation.

Mr. Subba Rao.—Power at the present rate ?

President.—Yes, power at the present rate. Because you have also to consider what you save by getting your power, in the way of machinery and interest and depreciation on that. Have you not ?

A. *Mr. Wadia.*—I think, Sir, we told you and I think we pressed that point that as a matter of fact we entered into a contract with the Andhra Company for supplying power.

At the same time we installed an engine and boilers and comparing the respective costs we found that the charge for electric power supplied by the Andhra Valley Co., came out much dearer than the power supplied by means of oil and in some cases electricity generated on the spot itself by a very considerable amount. But what happened was that the Andhra Valley Co., entered into a contract with us at, ·5 per unit which was the rate in force from the Tata Hydero-Electric and some years after before that installation was ready to start they jumped that rate up to ·75 and this jumping up of the rate which we could not help largely increased our electric charge and it became very much dearer than the power generated by steam.

Q. When you make these calculations are you including the saving in interest and depreciation ?

A. Yes.

Q. Including everything in your comparison ?

A. If the Andhra Valley Co., had carried out their original contract with us I have no doubt that we should have saved. The cost lay somewhere between ·5 and ·725.

Q. I should like to go into this question a little more fully than we did last time. Am I right in saying that there have been three contracts with Tatas, the first contract for ·5 annas per unit, the second ·675 and the third ·725 ?

A. *Mr. Saklatwala.*—The original contract at ·5 was made for 15 years.

Q. For how many mills ?

A. I cannot say exactly but the original contract was for 15 years and then before the 15 years were out all the power was taken up and Tatas started another company—the Andhra Valley Company.

Q. Which was the first one ?

A. The Tata Hydro-Electric. In the meantime the cost had gone up and they had to generate power at a greater cost.

Q. What was the date of the first contract—the ·5 annas ?

A. About 1915.

Q. A certain number of mills entered into a contract for 15 years with the Tata-Hydro Electric for ·5 annas per unit, a 10 years contract and 5 years option ?

A. Yes. And then as all the power was taken up and as there was still a good demand and many mills wanted power, Tatas started the Andhra Valley Power Company, and they could not generate power at the same cost because the charges had increased. Then the Hydro Company gave some mills the option of terminating their contracts and making fresh contracts otherwise they would have to pay at the end of 15 years ·725. We said if you terminate the contract now then you can have it for ·675.

Q. When did you give them that option ?

A. I will give you the particulars if you want them. That is the general position. And then subsequently this new Tata Power Co., found out that the cost had increased still and they cannot give power under ·8.

Q. We want a clear statement showing the number of mills in Bombay at the present moment on ·5, the number on ·675 and the number on ·725 and we want to know when the contracts in each case terminate.

A. I will give you a statement.

Q. Then the question arises as to what the position of the mills will be on the termination of their contracts. Is there a maximum charge ?

A. *Mr. Wadia.*—Government fixed the charge in the case of the Andhra Valley Co., at ·75. In the case of the Tata power they fixed it at 1 anna. About the Tata Hydro-Electric I cannot remember what the rate was. The maximum charge in the two other cases was fixed by Government.

Q. What we want to know exactly is what the position of the mills will be in regard to their power when these contracts terminate. What sort of future have they have got to look forward to. When you go to one anna a unit what effect will that have ?

A. I do not think they can go up to one anna.

Q. There is nothing that Government can do for you there in regard to this charge ?

A. *Mr. Geddis.*—When the agreements are out, I do not think the charges will go much higher.

A. *Mr. Wadia.*—Our contract runs out with the Andhra Valley in four or five years. If they propose to raise these charges or do not propose considerably to decrease them I should like to go into the merits of the question to find out whether I cannot generate my own power cheaper.

Q. You have got a weapon to deal with them there.

A. Let them charge what they like.

Q. There is only one point in regard to this internal competition that I should like to raise. We noticed in Madras for example—Madras was the most striking case—that there was far more Ahmedabad stuff there than Bombay stuff. Have you any explanation for that ? We were told the reason was that Ahmedabad had got much more closely into touch with the needs of the markets than Bombay did.

A. Ahmedabad do not sell all their stuff on the spot. They have to sell at Calcutta, Cawnpore, Amritsar and other places just as we do. As a matter of fact the buyers from Amritsar, Calcutta and so on come down to Bombay when they require anything. They do not buy at the shops in Calcutta and other places. They mostly prefer to come down to Bombay for their requirements. I think that is one of those things on a par with the dishonesty of the millowners !

Q. The point, Mr. Wadia, was that in going round the piecegoods market we visited several shops in order to find what we could and we discovered in those shops in Madras there was far more Ahmedabad stuff than Bombay stuff, and we were told that Ahmedabad people sent men down to discover what Madras wanted, and it seemed to us that that had been neglected by Bombay. I wanted to hear your views on the subject.

A. It is difficult to say.

Q. For every piece of Bombay stuff we found six pieces of Ahmedabad stuff.

Raja Hari Kishan Kaul.—In Northern India we found very little Bombay goods in the markets, while the upcountry mills were supplying the markets in very large quantities.

A. *Mr. Mody.*—Where, Sir ?

Q. In Delhi and Cawnpore.

A. We send a very considerable quantity to these markets.

A. *Mr. Geddis.*—After all the bulk of the production in India comes from Bombay and you must see it in some of the markets.

Q. The production is about one half. What I meant was, are not the mills in Northern India driving out Bombay from the Northern India markets ? Have you any idea of the amount of exports you used to have to upcountry markets and what you are sending now ?

A. We have no statistics showing how much we sent to Amritsar in by-gone years.

Q. We did not find so much of Bombay goods as we might have expected, which gave me the idea that upcountry mills were replacing Bombay goods.

A. *Mr. Mody.*—We have not discovered that yet. It is not our opinion.

Mr. Subba Rao.—Did you say, Mr. Geddis, that you produce the bulk of the piecegoods in India ?

A. *Mr. Geddis.*—The Bombay mills produce about 43 per cent., I think.

President.—I am speaking only roughly but I think it is somewhere between 40 and 45.

Mr. Subba Rao.—Therefore does it not follow that the upcountry mills produce a larger proportion and they are bound to replace you in the market ? You produce about 40 per cent. You have increased in the last 20 years in grey goods from 370 million yards to about 600 million yards while the rest of India has increased from 320 million yards to 848 million yards, an increase in your case of about 250 million yards and in their case of about 500 million yards. Their total is much larger. So, isn't it probable that in most home markets they tend to displace your goods. I am speaking of grey goods just now, and that seems to follow from the premise that the production is more. They are nearer the markets as you said and their labour is cheaper.

A. We have stated already that they have some advantages, and we have certain others on the other hand.

Q. Quite so. From the figures of production it looks as though their advantages overweigh yours.

A. I do not see how you deduce that.

Q. You had the upper hand in production in the earlier years. You produced about 50 millions more than they in 1907-08. Gradually they came up to your level and shot ahead. They produce now about 200 million yards more than you. So does it not look as though the internal competition in grey goods is very keen with Bombay ?

A. We have not experienced it in that way, that the competition was internal.

Q. You feel you are able to sell in the various markets as much of your production as you want ?

A. Unfortunately not as much.

Q. If other people are able to sell and make profits and you cannot, but show a loss, it seems to follow that they are able to sell better because of greater advantages ?

A. *Mr. Mody.*—Do you mean to say that the balance of advantages is with them ?

Q. It certainly looks like that.

President.—Judging from the financial results. That is the acid test.

Mr. Subba Rao.—It looks as though Ahmedabad and the upcountry mills are in a better position regarding the Indian markets than you are ?

A. Regarding this acid test the result varies from time to time. Because Ahmedabad and one or two centres have done well during one or two years it does not follow that they are better off than ourselves. During the boom years Ahmedabad did not do as well as we did. There come periods in which through adventitious circumstances one or the other of the consuming centres does well and others do not. The present is one of these cases. While not able to predict with absolute certainty I think that within one or two months Ahmedabad will have a different story to tell.

Q. What about the rest of the Indian centres of production ? Will their fortunes also change ?

A. Very possibly.

Q. And what are the present adventitious circumstances that enable them to make a profit ?

A. Mr. Saklatwala told you this morning that we were on strike in 1924-25 and Ahmedabad stole certain advantages over us.

Q. That may be for one year. It cannot show a continuous increase in production in the rest of India ?

A. And they pushed themselves in. I think we are overtaking them pretty fast.

Q. Are you ?

A. Yes. For instance in this dhootie trade in Calcutta Bombay mills are going in increasingly.

Q. At the expense of the other producers ?

A. Ahmedabad is also there.

Q. As regards dhooties you are not at any disadvantage as compared with any other Indian producing centres ?

A. I do not think we are at a disadvantage. I take it you have got returns for all upcountry mills.

Q. I have gone through the figures available. I have taken 34 upcountry mills which represent about 14 lakhs of spindles and out of these 9 made losses and the others made profits for the last three years in succession. I am not saying that every one of them made profits.

A. The only thing that I was wanting to say was that this must be spread out for a number of years before any conclusion can be based.

Q. The impression so far formed is that you are being overtaken by upcountry mills specially in grey cloth. Are you able to say that it is not so ?

A. I do not see that we are not in a position to hold our own against any of the upcountry mills.

Q. During the last 20 years your production has increased by 200 million yards and theirs by 500 million yards. Does it not show that in 20 years you have been losing ground ?

A. The production of the Bombay mills approximated in 1908 to 1925, if you look at Table 14 .....?.....

Q. I am thinking of the grey cloth just now.

A. *Mr. Maloney.*—I do not think you made that clear.

A. *Mr. Mody.*—We have not got those separate figures.

Q. I base my views on the returns of the Government of India. Your grey goods have increased to 660 million yards. I admit that as regards the coloured goods the position is somewhat different. Your rise was from 120 million yards to 305 million yards and last year it was 380 millions. It will give an increase of 260 million yards. The rest of India figures are 20.93 and 236. Their difference is about 210 and yours is 260. That again proves that Bombay Island seems to make progress in the direction of coloured goods. I want to know whether you think that in point of what you call your staple production there is keen competition with the other mills in India or not.

A. There is keen competition, of course, as regards grey goods ; because they are produced in large quantities. But if you mean that we are experiencing our present difficulties owing to competition against upcountry mills, I say we are not.

Q. I am not saying difficulties. The competition is very keen and therefore it will be desirable in the first place to turn on to a different line of production if possible and secondly, to turn to another field for your trade. I do not say that you ought to

give up this trade; but you have to develop new lines of production and new avenues as outlets for your trade.

A. I believe we are sufficiently alive to that, both as regards the character of the home demand and as regards the character of the export trade.

Q. If that be so, have you made any investigation as regards the kinds of goods that people in the Punjab consume?

A. I think we pointed out in our previous examination that many of the mills have got their own shops spread all over India.

Q. You say you are alive to the change in the character of the demand in the markets?

A. Yes; we are alive through our salesmen and commission agents and in the case of many of the mills through their cloth shops. The Tatas have got their shops in Amritsar, Delhi and other places and other mills have similar arrangements.

Q. I suppose you are aware that the Punjab is about the biggest consumer of bleached goods in India, though her population is comparatively small. She consumes nearly as much as Bengal. Then how is it that Bombay Island has not taken all these years to the production of bleached goods which happens to be only a very small fraction of the total output?

A. *Mr. Maloney.*—We have to check those figures.

Q. But can you say that the production of your bleached goods forms a large proportion of your output of grey goods?

A. *Mr. Mody.*—The grey goods of course are predominant.

Q. Can you say what proportion of your goods is converted into bleached goods?

A. We will get the figures for you.

Mr. Majmudar.—I have worked out a few percentages here from Tables I and II of your Statistical Abstract. In 1907-08 Bombay was producing in chaddars 74·5 per cent. of the total production in India. In 1912-13 it went down to 52·6 and in 1924-25 to 41·7. That means that the chaddars market is being captured by the mofussil mills and Bombay is losing it.

A. It was not a very big market. Was it? 41·7 per cent. of what?

Q. Of the total production of chaddars in the whole of India. In 1907-08, the Bombay production was 78·5 per cent. of the total Indian production in longcloth. In 1912-13, it was 65·7 and now it is 62·1. Then with regard to T. cloth it was 74 per cent. in 1907-08.....

A. *Mr. Geddis.*—Do not your figures go to prove what Mr. Subba Rao has already said that the upcountry mills have been increasing by greater percentages and Bombay Mills have been increasing by smaller percentage.

Q. This proves that the mofussil mills are capturing some of your markets.

A. That is what Mr. Subba Rao has said.

Q. I am giving you specific instances. In T cloth it was 74 per cent. in 1907-08, 62·9 per cent. in 1912-13 and 58 per cent. in 1924-25. That shows that in certain qualities the mofussil mills are capturing the markets which were formerly controlled by the Bombay mills.

A. *Mr. Maloney.*—To a certain extent that may be true. But in nearly every other case the production has gone up. The production of Bombay goods placed on the Indian market has gone up. The actual quantities have gone up. Bombay is putting more to-day than in 1907-08 in nearly every cloth.

Q. Let us look at the actual quantities. In chaddars you were producing 31,958,000 in 1907-08 and now you are producing 25,734,000.

A. The dhooty business has gone up.

Q. I am referring only to three items, chaddars, T cloths, domestics and sheetings.

A. *Mr. Mody.*—There was a large increase in the productive capacity of upcountry mills. That is obvious from the figures.

President.—Then the point is, does not that affect you unfavourably? And you say it does not.

A. Of course all competition must affect us unfavourably in a way.

A. *Mr. Geddis.*—In how many items have we gone up? We may have gone up in all other items which shows that there is plenty of room.

A. *Mr. Maloney.*—We have gone up in seven items out of ten in the greys.

Mr. Subba Rao.—As compared with?

A. As compared with our pre-war production.

A. *Mr. Mody.*—With the growth of mills in upcountry centres this position is bound to be as you have stated, but it does not prove that we are losing our markets.

Mr. Majmudar.—In certain sorts the upcountry mills are capturing your markets.
A. It may possibly be so in certain small lines of production.

Section IV

Mill Management

President.—As regards the next section which is Mill management, I think you have been watching our evidence and you know what sort of criticism has been brought against mill management. There is one which I should like to bring to your notice. I would like to know how the following two statements can be reconciled. Sir N. N. Wadia told us when he appeared on behalf of your Association last time that the Directors had every voice in the management of the mills. He said 'They receive monthly statements and everything is done with their knowledge. They can challenge anything they like. They look into everything, yarn sale, cloths sale and various particulars concerning everything. All these are looked into.' That was the statement of Sir N. N. Wadia. I now draw your attention to a statement made by Mr. J. A. Wadia, who is a Director of 13 mills and I believe the Chairman of the Board of Directors of several of those mills in which he says 'the majority of the Directors, whether they are Directors of banks or Directors of mills, hardly take much interest in the concerns. If they are a bit active then they go.' Mr. Wadia is a Director of 13 mills.

A. *Mr. Geddis.*—All of one group.

A. *Mr. Mody.*—I do not know whether Mr. Wadia was speaking from his own point of view. But I can say that every figure and every fact relating to our industry is placed every month before our Directors. It is up to them to look into these as they choose. But all the facts and figures and everything done by the agents are placed before the Directors.

Q. Yes. You say the facts and figures are placed before them. But the question is how often and to what extent do they care to look into them ? You say 'if they care.' But how often and to what extent do they care ?

A. *Mr. Mody.*—As regards all the important points bearing on the fortunes of individual mills, the Directors give every attention. As regards the day to day administration, they naturally and rightly leave it to the agents.

Q. Quite rightly.

A. To this extent I agree with Mr. Wadia that the day to day administration is left entirely in the hands of the agents. But anything relating to the policy of the mills is the concern of the Directors and the Directors, I think, are sufficiently alive to that.

Q. It seems a little difficult to reconcile these two points of view.

A. *Mr. Geddis.*—There is no sale made, there is no purchase made, there is no contract made without circularising them.

A. *Mr. Wadia.*—Mr. J. A. Wadia being a Director of 13 companies and Chairman of a good many of them, are the statements he calls for not furnished to him ?

Q. The point really is what is the use of the Director ? That is the point we are endeavouring to get at. He informed us that they were not of any use.

A. *Mr. Geddis.*—I think the Directors of cotton industry as far as I am aware take just as keen an interest in their concerns as the Directors of any other trades.

Q. That was exactly his point, that they do take as keen an interest.

A. The day to day administration must remain with the agents.

Q. I do not think anybody disputes that.

A. *Mr. Mody.*—It all comes to this : that some Directors take their duties more seriously than others.

Q. I think that is what he also means.

A. *Mr. Wadia.*—The law has compelled limited companies to have Directors. Therefore the law has to be complied with. These gentlemen have different views as to their responsibilities. In any case, the law says that if you do not do certain things, we shall hold you responsible and that is one reason why the Directors are there.

A. *Mr. Mody.*—In any case it is not the fault of the agents.

Q. That is another point which requires a little investigation, Mr. Mody. As you know we have been told that it is undoubtedly the case that the managing agents have considerable influence in the election of Directors. Therefore if the Directors do not take an interest, is it not the fault of the managing agents that they have not selected the right men ?

A. If you will examine the constitution of the Boards of the most important companies in Bombay you will find that very judicious selections have been made and the men who have been appointed on the various Boards are not the sort of men who would leave everything to the managing agents and say " ditto."

Q. I have no doubt that it is not an accusation which can be brought against all the mills. But you have a statement of a gentleman who is a director of a very large number of mills.

A. *Mr. Geddis.*—They are practically all of one group I think. He seems to be unfortunate in his experience.

A. *Mr. Mody.*—In his choice of agents!

Q. I do not know whether there is any other criticism on the subject of mill management which you wish to comment on.

Raja Hari Kishan Kaul.—The complaint made in upcountry centres is that mills in Bombay do not supply samples. That question was raised on the former occasion.

A. *Mr. Mody.*—I do not know about sample books. But we have been always ready to supply samples. Any mill which is alive to its own interests would supply samples. But probably they were thinking of the boom period during which we did not care perhaps.

Q. They were talking of the present times. That was the reason given for the shortage of Bombay cloth in the markets.

A. *Mr. Geddis.*—As far as our mills are concerned from the figures I find that on the average we are issuing ten yards of samples per day.

President.—Then with regard to mill finance, we have got a statement from Messrs. Ferguson & Co. this morning. We have had hardly sufficient time to study it. I cannot help expressing regret that you have been unable to furnish us with one of the statements the preparation of which I suggested last time. I quite realise that the preparation of these statements has cost the millowners a good deal. What I asked for last time and what I said we would like to have was a statement showing the position of the 63 mills which have remained constant throughout since 1917. This is Messrs. Ferguson and Co.'s statement which shows a difference in the numbers of the mills. My point last time was that it would be more satisfactory in judging the position of the industry to take the 63 mills for which balance sheets were available for the whole period. I am not quite clear what Messrs. Ferguson & Co. mean when they say that the figures for the years 1917 to 1922 originally included certain woollen mills. Those were subsequently deducted but apparently the number of mills was not altered. Do they mean that the figures in their original statement in regard to the number of mills is wrong, but the figures themselves are correct?

A. *Mr. Maloney.*—Yes. That is it. The figures themselves were correct.

Q. I should be much obliged if you let us have your corrections so that we can check them with ours. Sir N. N. Wadia promised to put in a statement showing what it would cost a mill to be put up at the present prices. I presume he had no time to do it before he left. I do not know whether any other members of the Association would care to do it.

A. *Mr. Geddis.*—We shall try and get it, Sir.

A. *Mr. Maloney.*—As regards that will you give us an idea of what counts of yarn which are to be turned out in the mill? Obviously a mill put up for counts between 30s and 40s would be constructed to different particulars from a mill intended to spin 20s.

Q. I think 30s to 40s would probably be the best.

Mr. Subba Rao.—I want to ask a question to supplement your answer to Question 51 about mills experiencing difficulty in obtaining finance now. Your answer has been confined more or less to deposits you are getting from the public. But I want you to say whether mills are finding any greater difficulties now than before in getting accommodation from banks. It has been suggested in various other centres that there has been some difficulty in getting accommodation from banks; and also that at times when a mill was in temporary difficulties the bank recalled the loan which led to much trouble. Now as regards Bombay, is there any kind of feeling in the matter that accommodation to mills might be given more liberally or have there been any instances where such trouble has ensued because the loan was not kept on when there was temporary difficulty? Has there been any such experience in Bombay or do you feel that the bank accommodation has been quite normal in Bombay.

A. *Mr. Wadia.*—On the whole, we think that the bank accommodation in Bombay has been quite normal. We know of no hard cases. At the same time banks like other concerns are responsible to their shareholders and therefore whenever they can they do raise the rate of interest as high as they can. Just as we try to sell our cloth as dear as we can, they try to sell their money as dear as they can. At the same time, looking over

the whole period of my connection with them, I can specify no single instance where a bank has been unduly hard in compelling any mill to go into liquidation for want of accommodation. This is my experience, it may be very small.

Q. Quite so. For clearness sake let me put this question—not because I want to suggest that there is any truth in it—. Would you say that there has been at any time anything like racial differentiation in giving loans? That point was made before the Currency Commission and also before us. I would like to have some kind of authoritative statement from you.

A. In Bombay?

Q. The statement was made elsewhere.

A. I am afraid I cannot say.

Mr. Mody.—So far as the mill industry is concerned, we cannot say there has been any racial discrimination.

Q. The question was raised whether Indians had any difficulty in getting loans?

A. That question must have been asked with reference to other industries about which there has been a talk of preferential treatment. But so far as the mill industry is concerned, it is not our experience.

Q. There has been no complaint on that score?

A No.

Mr. Wadia.—What does matter to a Bank manager is the standing of a mill. If my mill is sound, he will give money at the bank rate. There cannot be any differentiation. He says "I will give you money at the bank rate." If the mill is not sound he will say "I will give you money 1 or 2 per cent. more than the bank rate."

Q. That is natural. Then there is another point which has been raised once before. Do mills here take loans on hypothecation of stocks? I understand that there has been some unwillingness on the part of the mills and also that the piece-goods merchants on the other side do not like to have any person under the bank's control at their mills or shops. But is it so? If you take loans by giving security of stocks, do the banks put a watchman or a clerk in charge of stocks?

Mr. Mody.—It entirely depends on the financial standing of the mill. There are mills with a good financial position to whom large loans are given merely on the security of the agents and on their own good name and there are other mills which are in difficulties.

Q. That means double security. I was thinking of the security of the mill irrespective of the second signature of the managing agent.

A. You asked me about the hypothecation of stock.

Q. Yes.

A. Mills which are labouring under financial difficulties have to hypothecate; otherwise, banks do not finance them.

Q. That is general?

A. That is general in the case of mills which are in difficulties.

Mr. Wadia.—There is another class of mills. A mill has a capital; then it has a certain number of debentures. Therefore the debentures are directly mortgages in the mill. Therefore a bank advancing money would not have a lien on the property of that company. It has a lien on the liquid assets of the company and in those cases they have to put a man in charge.

Mr. Subba Rao.—We were given to understand that banks would not give a loan unless they had control of the liquid assets.

Mr. Mody.—Only in cases of mills in difficulties.

Q. Would they require two signatures?

A. That they ordinarily do. Where they do not require hypothecation of stocks they do have a double guarantee.

Q. That was used as justification for the agency system, that only in that way a mill could get loans.

A. The agents guarantee a considerable portion in such cases.

Q. That means an additional cost, in that he has got to give guarantees and therefore he charges indirectly or directly for the guarantee.

A. He is responsible to the bank.

Q. Whenever the bank has the guarantee of the managing agent also it does not press for the control of stores and other liquid assets. Whenever banks cannot get two signatures

they do press for the control of assets, especially when there a capital debt on the assets of the concern ?

A. But in cases even where they get the guarantee of the agent company, when the mill is in a bad position they could require hypothecation of the stocks.

Q. I wanted to know that.

A. They would.

Section VI—Cost of Production

(*b*) *Raw material*

President.—I think we had better go on to raw material. I do not know whether you have seen this periodical, the Far Eastern Review, a copy of which has been sent to us. I do not propose to take you through it, but there is just one statement that I think you might be able to throw some light on. It runs :—

"The signed order for 100 bales of best grade cotton starts on its travels from the managing agent's desk and somewhere down the line in his office force it reaches an employee who makes a private arrangement with the cotton broker which transforms the order into one for 100 bales of second grade cotton, or perhaps, fifty of first and fifty of second. Further intervention on the part of expert grafters results in the final delivery to the mill of say, ninety bales of third grade cotton. Everybody connected with the transaction, even to the carting contractor, gets a juicy rake-off, with financial consequences most disastrous for the shareholders. The managing agent in most cases loses nothing as he gets his commission from the broker on the original order."

A. *Mr. Wadia.*—A libellous set of lies.

Q. I do not want to go into this in detail, Mr. Wadia, but I should imagine that under no office system in the world would it be possible for it to happen. I should merely like to have on our record what your procedure is. I think your procedure should in itself be a sufficient refutation of that charge.

A. In buying cotton ?

Q. When you give an order to your broker, I take it that your broker goes away and gets the cotton. What opportunity has any of your subordinates to affect the purchase of cotton in any way ?

A. The millowners generally give the order direct to the broker. Generally there is more than one broker. I want a hundred bales of Koompta. They bring me samples and put them before me, and then I say, "I like sample A or sample C." Then the broker says the price is so much. If I think the price is not too much, I say I am prepared to buy so much. A transaction results. It is a transaction between myself and the broker. No employee knows what I am going to buy or if I am going to buy at all. The matter is entirely between myself and a member of the Cotton Trade Association. He goes and bargains. Then four or six bales according to the amount of cotton bought is brought to the office by my own men.

Q. Whole bales ?

A. Bales which are chosen from the samples shown. Out of the samples shown I say I want a piece out of that bale and a piece out of that. They go to my office and I go through them and then if it is not up to sample, I say "I want an allowance of Rs. 10 or so." Then eventually when the cotton is brought to the mill it is weighed by our own men, and before it is put into use the spinner or the carder, or the man concerned has a look at it to be quite sure that the cotton is as described.

Q. Who receives cotton at the mill and weighs it ?

A. Cotton clerks, men specially told off for the job.

A. *Mr. Mody.*—In most mills in addition to that there are tests made and the tests are submitted to the office.

Q. Would the mill manager usually do it or do you merely leave it to the clerk to receive it at the mill ? Who receives it at the mill and who puts it in the godown ?

A. *Mr. Wadia.*—A man specially paid by the company receives it and weighs it and immediately sends it up to the office and the man is paid on this weight.

Q. What possibility is there for substitution on the way, or at any stage of the transaction ? I know that your statement of how you yourself buy the cotton is correct. I know from my own personal experience when I was Controller of Cloth what actually happens as regards the purchase of cotton, because I have been in the offices of any number of mills here and I have seen the agents buying cotton in the way you describe. If any evidence is wanted on that point I am quite capable of giving it myself. But the point I wanted to be quite clear about is, is there any stage of the proceedings at which it would

be possible for anybody to substitute an inferior grade of cotton for the one that you as managing agent have selected ?

A. *Mr. Mody.*—I do not think so, the cotton is tested at various stages and the reports are sent up.

Q. There are openings for frauds even in banks. We read frequently of frauds carried out in a clever way. What I want to know is, whether is there any possibility of a fraud being carried out on a mill agent by substitution at the mill of a hundred bales of third grade cotton for a hundred bales of first grade cotton that the managing agent has ordered and selected himself ?

A. There would have to be collusion between a great many people before it could be done. It would certainly be detected in course of time, when the cotton comes to be tested in the mills and goes into the mixings.

A. *Mr. Wadia.*—If you get third rate cotton, immediately you put it on the machine it would break and make more waste.

A. *Mr. Saklatwala.*—When samples are drawn from cotton these bales are stamped with the mill's stamp and these bales are always kept apart so that they may compare the quality of the stamped bales with the quality of the remaining bales, so that if there is any difference we may complain to the merchant.

Q. The question of purchase of cotton has been continuously referred to in the course of our enquiries. I should like to have a rough idea of the number of mills which purchase cotton through their own buyers, that is buyers upcountry ? Do any of them buy their cotton through companies in which the managing agents are interested, and do any of them buy cotton through companies in which the mill as distinct from the managing agent is interested ?

A. You are referring to cotton companies ?

Q. Yes. Do any of these ginning and pressing companies upcountry actually buy cotton for the mills ? Several mills have ginning and pressing companies, I know, in which either the managing agent is interested or the company is interested.

A. That is a transaction in regard to which it is possible for any outsider to see, whether anything is wrong or not. Speaking for ourselves, we have a ginning factory which belongs to the Bombay Dyeing and the Century Company. We have another at Latur which is subsidised by us for our actual work, and we have buyers who have been with us for several years. They buy cotton, gin and press it and send it to us. To that extent we have some interest. The interest is purely that of our company and not our own.

Q. Are the companies shareholders in that, or you ?

A. The company.

Q. Are there any cases of ginning and pressing companies in which the managing agents as distinct from the company are interested ?

A. There are such cases, few and far between, very few and very far between. We are not qualified to speak at all about such cases because we do not know anything about them.

Q. Can you tell us how many such cases there are ?

A. *Mr. Mody.*—Very few.

A. *Mr. Saklatwala.*—Most of our mills have their own ginning factories. The agents are not concerned in them at all.

Q. That is a perfectly legitimate and straightforward transaction. It is obviously economical and entirely in the interests of the mills. But if the managing agent is interested in a ginning or a pressing company as distinct from the mill I think you would agree that that might be liable to abuse. I should like to know the number of such cases.

A. *Mr. Wadia.*—Not many. A very infinitesimal part of the buying organisation of cotton.

A. *Mr. Mody.*—We do not deny the possibility of such a thing, but we do not know of any such cases.

A. *Mr. Wadia.*—The larger number of the ginning companies are owned by the mills themselves. It is only a very infinitesimal part where the ginning companies are owned by the managing agents and the mill company has nothing to do with them.

Q. The statement has been made that only in very few mills is any attempt made to utilise the waste and that it is on an average 33 per cent. on the total of raw cotton to finished cloth.

A. Made by whom, Sir ?

Q. The same author.

A. A great many mills use up their waste and utilise it for khadi. We ourselves have a waste factory. We not only use the waste that we make but we have to buy waste from others, and that is so with several other firms, so that that statement is far from accurate.

Q. Can you tell us, Mr. Maloney, how many mills have got waste plants ?

A. *Mr. Maloney.*—I will try.

Q. We have gone into the question of hedge contracts with several witnesses and I rather fear that we came out by the same door wherein we went.

A. *Mr. Wadia.*—Some extraordinary statements were made by the East India Cotton Association before you. One was that we millowners never hedge their contracts. As a matter of fact I do not think they realise our difficulties.

Q. Would you care to enlarge on that ?

A. One of our difficulties as explained to you previously was that the Broach contract terminates in March because in April they begin to deliver, and we are left high and dry buying cotton with no possibility of hedging for two months because there are no hedge contracts in which to hedge. We want a contract from year to year. Supposing the Broach contract expired in April-May, we maintain that on the 1st of March or the 1st of April a contract should come into being for the following year. That is what we have been shouting for and the East India Cotton Association have not taken the trouble to understand us so far, Sir.

Q. I would like you to explain that a little further, Mr. Wadia.

A. May I put it this way ? In Liverpool or in New York you may buy a thousand bales of cotton on paper or sell a thousand bales of cotton on paper and sell against it cloth or buy a thousand bales of ready cotton and sell forward a thousand bales, in that way you cover against the vagaries of the market. These contracts are for two months—April-May and June-July and so on for the sake of convenience. Now the Bombay Cotton Association started with the idea of supplying a legitimate hedge for mills. They never supplied a legitimate hedge for mills because they said if they supplied a legitimate paper contract the price of cotton would go down and a large number of their members are cotton brokers and they do not want to see the price of cotton going down. But they are mistaken. What we want is that when we sell a thousand bales of cloth to A we want to be able to go and buy a thousand bales of cotton in the market. And if the cotton does not exist or if we want it after six months we should be able to go and buy a hedge so that if the cotton goes up or down we should not be hit in any way. That is what we are unable to do in the Bombay Cotton Association because we have to buy a good deal of cotton before the monsoon, in March, April or May or June when the cotton comes in from the fields and from the cultivators and then we want to sell the next year's crop against it so that we shall not be affected by the vagaries of the market. There is no hedge for us to sell. It is for this that we have been knocking at the door of the Bombay Cotton Association and have never been able to achieve anything tangible.

Q. But you cannot get that unless you have one single hedge contract ?

A. A single hedge contract is not absolutely essential though it would undoubtedly be an advantage, as a temporary measure we should be satisfied with two or three hedge contracts if they will make the contracts available from month to month for one year ahead.

Q. Their point was, as far as I understood it, that they do give a contract for the odd months. They give it for every month except for the months in which there is no trading.

A. They must have made a statement which you have not understood or they have not understood your question. But I maintain, Sir, I say it is a fact that buying cotton in March or April I am unable to hedge it against anything until June 1st.

Q. That was their point. We pointed out to them that you could always trade in Liverpool and they said that in certain months you could not, or rather that you could only do so nominally, as the Liverpool market was dead in those months and there was nothing going on there. So the fact was that the practice was practically the same in Bombay and Liverpool except that trade in such months was nominal in Liverpool and not legalised here.

Mr. Subba Rao.—If they have a 12-months hedge in Liverpool, they do not operate every month.

A. A hedge to be of any use must be available all the year round. You cannot have a hedge for six months and not have a hedge for the other six months of the year.

President.—I will look it up and discuss it tomorrow morning. That is a slightly different position from what you took up when you were before us last. You wanted a single

hedge contract then and now you say it would not matter if you have three provided you could trade every month.

A. We prefer a single hedge contract but these people put up a stone wall. Well, let them have three hedge contracts, but let these hedge contracts be available so that they are always in being, and never lapse. What we complain of is that these contracts are defunct for certain parts of the year. They ought not to be defunct.

Q. I quite see your position. I will get their oral evidence and discuss it tomorrow morning. As regards the three hedge contracts, we were distinctly impressed by Mr. Madon's statement that if you wanted to buy a victoria you would not hedge against a bullock cart or motor car. That he described as roughly the position. If you wanted a victoria, you would not want to be sold a motor car or a bullock cart. That he considered analogous to the effect of a single hedge contract. On the one hand, instead of Broach you might get the lowest Bengals and at the other extreme, the best Cambodia.

A. They do not understand the nature of the hedge contract. In Liverpool the hedge contract is a paper contract. You do not want to buy a victoria or a motor car. You want to buy this on paper only. When you actually go and buy your motor car or victoria you liquidate the contract and pay the difference. That is the nature of the hedge contract. These people have mixed it up. The Bombay Cotton Association says that anybody who wants to buy a hedge contract wants delivery of it. They do not want delivery of the cotton. 99 per cent. of the people that deal in hedges never have one bale of cotton delivered.

Q. But there have been big quantities tendered in the past.

A. There have been. That is the trouble. They are mixing up hedge contracts with delivery contracts. A hedge ought to be a pure paper transaction. They make out a paper transaction as an actual delivery contract. That is what we are fighting against. We say to these men, well, you may have your delivery contract. You may have as many delivery contracts as you like but let us have one delivery contract showing today the price of a given cotton as such so that tomorrow even if variations in price take place I can still buy my cotton at the price arranged.

Mr. Subba Rao.—Does it mean that a man who has got a hedge contract is liable to have the goods tendered ?

A. He can sell it again.

Q. But is he liable to have actual cotton tendered ?

A. If he does not take the precaution of selling it, yes.

A. Can't you settle with the man who sells ? When you have got cotton, he can sell to another.

A. 99 per cent. of the transaction is merely buying and selling.

Q. Then where is the trouble in Bombay ?

A. I am talking of Liverpool. In Bombay you have got hedge and delivery.

Q. In Bombay if a man buys cotton and hedges, is he likely to have actual cotton tendered to him ?

A. Yes, if he does not take the precaution of passing it on to somebody.

Q. But can't he get clear from the man himself by paying the difference ?

A. He buys, he sells and pays the difference to the clearing house.

Q. It is done in Bombay also ?

A. Yes.

Q. You said they confuse hedge and delivery contracts ?

A. Because of these three hedges. In Liverpool or New York there is only one hedge and just as many varieties as there are in India.

Q. That is a different point. You said they were confusing here between a hedge contract and a delivery contract. Where is the confusion ? If a man can hedge and later on pass it on to somebody else, where is the confusion ?

A. The confusion is in two directions. One is that they have four or five hedge contracts. Secondly each of these hedge contracts is very narrow. The full weight of the crop is not behind them. That is one difference between Liverpool and here. The second difference is that at certain periods of the year there are no hedge contracts in existence.

Q. No hedge available ? Suppose you want to hedge in March you cannot get somebody to sell or.....

A. You cannot get anybody to buy or sell.

Q. But in the other months there is no confusion between a hedge and the other transaction. You said they confuse the two transactions. I want to know where the confusion comes in.

A. The confusion comes in practice by the exporters like the Japanese buying hedge contracts or Oomras or Bengals in November and January and when the time comes nearer they think it is better for them to receive their cotton.

Q. How can you stop that ?

A. If you had one hedge contract so that you could deliver instead of Oomra or instead of Bengal any other cotton available at a difference.

Q. Take the American or the English future markets. They have got the same hedge system and cotton may be delivered.

A. He may be receiving a motor car or he may be receiving a victoria. If he gets a victoria he gets Rs. 1,000 and if he gets a motor car he has got to pay Rs. 2,000.

Q. There is no difference then between a delivery contract and a hedge contract. The man who hedges can demand the goods ?

A. He never does in practice.

Q. But the transaction is meant to be used if a man likes both ways.

A. He can ; but nobody uses it. He does not do it.

Q. So you are merely speaking of an incorrect use but there is nothing in the transaction itself which makes it a handicap for its being used as a hedge or delivery contract ?

A. *Mr. Wadia.*—Nothing.

Raja Hari Kishan Kaul.—What you mean is that the actual purchase is an absolutely different thing ?

A. Yes ; in Liverpool.

Q. It has nothing to do with the hedging ?

A. No ; quite different.

Q. One of the objections raised by the East India Cotton Association was that if you had a single hedge contract there would be sellers and no buyers ; and the result will be that the contract will not be a success.

A. There is the law of supply and demand in everything. If there are more sellers and they went on reducing the prices the time will come when the buyers will come and it will steady. You have this example of American cotton with this huge crop in America. The cottons come down, down, down, below 7*d.*, below 6½*d.* At 6½*d.* the buyers and sellers are in equilibrium and one day the cotton goes up and on other day it goes down. The law of supply and demand is operating in the case of American cotton now and it would be the same here also. People prefer to imagine the worst before they try anything. They would rather pre-judge it.

President.—You want the hedge contract to be a purely paper transaction and that is what it is not in Bombay at present ?

A. That is the position.

Q. I think you have succeeded in making it a little more intelligible to us. Another question which arises out of these hedge contracts is the possibility which has been mentioned to us of a yarn exchange in Bombay for a similar purpose. I do not know whether you have studied the yarn exchange in Osaka at all.

A. It is practically on the same principle as a cotton contract ; because they have not got cotton they started the yarn exchange. The cotton exchange with a proper hedge is a much more effective organisation than a yarn exchange.

Q. Their standard is 20s yarn. They have really got one hedge in 20s, assuming points on and off for everything else.

A. And over the quality on 20s. For instance, A's mill is the standard and B., C. D. mills are plus and D. E. F. mills minus.

Q. You consider it is quite unnecessary to have both a cotton and yarn exchange ?

A. It would be quite useless to have both. What we want to improve is the present system of hedging in cotton.

Raja Hari Kishan Kaul.—I just want to ask you again this question as to whether there is no possibility of mills who want to buy raw cotton out in the districts arriving at some kind of understanding as to combination. At present every mill buys individually and the large number of mills in the market probably forces up the prices. From the point of view of the mills, would it not be advantageous if they could organise themselves for the purpose of buying ? We have been told that the Japanese have the advantage of buying through a small number of shippers and getting cotton at the best prices. Would

it not be possible for the mills here to arrive at some arrangement whereby they could make the best of the situation ?

A. *Mr. Mody.*—The Japanese also enter into competition. The field is not left clear to them. When they enter the market they enter into competition with other buyers.

President.—Do they enter into competition with each other ?

A. Not with each other. But with others. For instance, if there are three or four buyers.

Q. The Japanese buyers in India have about three or four Houses, have they not ?

A. Yes.

Q. Are they competing against one another or have they any arrangement between themselves ?

A. I do not know of any arrangement between themselves.

A. *Mr. Wadia.*—There is a great competition between them. For instance one House is selling and another is buying. There is no working arrangement between them as far as we are aware.

Raja Hari Kishan Kaul.—You do not say they compete against one another ?

A. You do not see Indians competing one against the other. As far as the broker is concerned, he has got certain orders. He will say 'I will pay so much.' If somebody comes and pays more he will get the cotton. There is no actual competition.

Q. Two or three brokers going out for two or three mills force up the prices. They generally raise the prices a little. My experience in some of the Punjab markets is that when one Japanese firm is buying the other two or three firms buy at the same rates at which the one firm is buying. At one time one firm buys and at another time another buys. They do not come into conflict with each other. I have not heard of it. For instance, in Lyallpur and other places, I have not heard of the Japanese coming into conflict with one another.

A. *Mr. Mody.*—It is possible in the case of two or three people. But in the case of dozen or two dozen people such a combination does not seem to be at all possible, and you must also consider the number of centres to which cotton goes.

Q. Yes; you must have seen how many buying agenies they have.

A. Even assuming that there is no competition among the Japanese, there are only two or three people and they may find things possible which we may not.

Q. If you had some combination, you might have two or three purchasing agents. Would it not facilitate matters ?

A. I am afraid considering the number of mills which are competing at each centre, I do not think it will be feasible at all.

President.—And the different requirements of the mills also ?

A. Yes.

A. *Mr. Saklatwala.*—Besides, all the mills do not go forward at the same time to purchase.

Raja Hari Kishan Kaul.—Then you must be prepared to buy cotton at a slight disadvantage compared with the exporters. You will always have to be prepared for the risk of having to buy at higher prices.

A. *Mr. Mody.*—You will find that the Japanese do not always buy more cheaply than mills. Sometimes they have been very hard hit. They are hard hit now. So their purchase system is not so perfect as you think.

Mr. Majmudar.—About the hedge contract, we were told that some standard type will have to be fixed, such as the Oomra cotton. That will have to be fixed as standard in the single hedge contract. And as Japanese are purchasing most of that cotton, they will get the greatest advantage. Do you endorse that view ?

A. *Mr. Wadia.*—I do not see how. Here you have chalk, cheese and everything else. A buyer of a million bales is not likely to get any advantage over a buyer of 100 bales. The price is the same at the same time on the same day, no matter what quantity is bought.

Mr. Mody.—I should like to say something about a point which was made yesterday. We were being questioned about the relative advantages of upcountry centres as compared with Bombay and Mr. Majmudar read out certain figures purporting to show that we were losing our markets as against the upcountry mills. I have been working out some figures and I have taken as the basis the average production of the five years ending 1914-15 and have compared these figures with the average production of the last five years. I find that our production of dhooties has gone up by 138 per cent. and upcountry mills'

production has increased only by 64 per cent. That is a new trade and it also incidentally shows that we are alive to all the latest developments in the consuming centres. Then in " all other sorts " we have gone up by 262 per cent. as against 159 per cent. for the rest of India mills. The only sort in which we have lost a little ground is chaddars in which we have not done much business at any time. We have gone back 10 per cent. and the rest of India has gone back 3 per cent. whereas with regard to every other sort I think we have kept up our position. In shirtings and longcloth we have gone up by 62 per cent. and the rest of India by 67 per cent. There is very little difference there. So barring T-cloth and chadars where we have lost ground a little, we have not only maintained our position but also improved it considerably.

As regards relative advantages we have put down in our original representation what the relative advantages and the disadvantages are between the Bombay and upcountry mills I do not think we need labour that point further. There are advantages with us and advantages with them.

A. *Mr. Maloney.*—May I hand over this statement of the number of waste spindles ?

President.—Do you consider 52,000 spindles sufficient to do with all the Bombay waste ?

A. I think they are adequate. The 52,000 spindles fully employed would more than deal with the whole of Bombay.

A. *Mr. Mody.*—Certain kinds of wastes we are not dealing with, low kinds of waste, oily waste and things like that which are sold by us.

Q. These 52,000 spindles are sufficient to deal with waste which can be worked up ?

A. *Mr. Geddis.*—Approximately yes.

Q. There is one remark I see attributed to me in the press last night and this morning. I was reported to have said that the production of piece goods in Bombay was absolutely negligible, an extraordinary statement for a President of a Tariff Board investigating the state of the industry for some months past to make. It should, of course, have been production of bleached goods.

A. *Mr. Mody.*—There is another remark in the press, to wit, that we have not given a reply to the question with regard to the Madras market. We did give a reply.

Q. These things will be put right in due course when the evidence is published. I must advert to this question of raw material. It seems to be a matter of vital interest to the mill industry owing to the fact that raw material forms a large proportion of the total cost of cloth. I have now shown you, Mr. Wadia, what Sir Purshotamdas Thakurdas has said on this question of contracts being open to two or three deliveries only. If you will give us your views on that point, explaining exactly the position, we shall be very glad to have them on our record.

A. *Mr. Wadia.*—I would like to contrast, Sir, the methods pursued in Liverpool as against those followed in Bombay by the Bombay Association. In Liverpool we have one contract which is available for any of the months during the year in large quantities. You can either sell or buy any number of bales. To-day, in November, e can make a contract for October 1927; we can make a contract for July 1927 ; we can buy or sell for May 1927 ; we can sell or buy for March 1927 ; we can sell or buy for January 1927. Against this facility which a spinner or a manufacturer in Europe has got and a similar facility in America, the Bombay Cotton Exchange roughly offer us three contracts, Bengal, November; Oomra, January and Broach, April-May. These are the only contracts that are very largely in use and none of these contracts are ever open for one whole year so that you can neither buy nor sell a year ahead. What the Millowners want from the East India Cotton Association is that as soon as the Bengal contract is defunct on the 30th of November, automatically on the 1st of December another contract shall be open for the following 12 months. Similarly for Oomra. As soon as the Oomra contract expires on the 31st of January, the Millowners desire that another contract for the following year should be opened on the 1st of February. The same way with regard to Broach. As soon as April-May approaches they want, if possible, a Broach contract to be opened for the new year either on the 1st of March or on the 1st of April. The Bombay Cotton Association will not agree to these requirements. What in practice they do is, for instance, that when the Broach contract expires on the 31st May, they do not open a new contract for Broach till the 1st of June with the result that any hedges made by the Bombay mills have to be liquidated during April and May and their position remains open till the new contract is opened and there follows a period when they run the risk of being shot at by the market as has happened this year. We begged them to open the contract for Broach on the 1st of May but this proposal was defeated, the majority required for such proposals being two-thirds.

Q. What was the result as far as you are concerned ?

A. The result was that we lost a lot of money, a considerable sum of money. We had bought our cotton in March-April against which we sell Broach. Then in order not to be

shot by the market we had to get rid of these Broach hedges in April and May and we did not get our hedge again till the 1st of June and in that short time market went down from Rs. 20 to Rs. 30.

Q. Your point is, I think, Mr. Wadia, that under present conditions of the market there are certain months in which you cannot get any protection, if I grasp the situation correctly.

A. Not quite, Sir. What we want is protection a year ahead in any of these three contracts and that protection the Bombay Cotton Association will not give us.

Q. Can you always get protection for a short time ahead in the present conditions?

A. You can, but at a very considerable sacrifice.

Mr. Geddis.—Extra cost.

Mr. Wadia.—And certain periods are left when you have no hedge at all.

Q. That was my point. If at certain periods you have no hedge at all left, does that not mean that in those periods you cannot get protection?

A. Yes; you cannot get protection. The only thing, I would say is—I would quality it—you can get protection for a month ahead. But a month ahead is as good as no protection at all.

Q. Quite so. The answer they gave us on that point was that the market was not broad enough.

A. I would say, Sir, that it is not the concern of theirs whether the market is broad enough or not. If they open their contract and if they are no buyers or no sellers in the market, the contract will not hamper anybody. And when the buyers and sellers are willing to meet each other, the Cotton Association hampers trading.

Q. I see your position, Mr. Wadia.

Mr. Subba Rao.—You seem to want, if I understand you right, a system of hedges completely divorced from the actual cotton? Is it possible to get a system like that?

A. That is the system in America. That is the system in Liverpool.

Q. Not if I understand it right. Surely there because you can get cotton practically all the year round or because the market is wider it is always possible in the last resort for the man who is about to lose by the hedge contract to offer spot cotton or actual cotton. But here there is no actual cotton available for some months and the man who has bought will be handicapped if he cannot later on, for example, cover himself by going in for actual cotton. You want a hedge completely divorced, if I understand you right, from any spot transaction. Is it possible to devise a system like that?

A. I think it is quite possible to open a market for 12 months ahead. I am not asking for anything more. I am not asking for what is done exactly at Liverpool or New York. I am merely asking them that when a contract has nearly expired, they should open another contract for the following year.

Q. On those exchanges there are two groups of jobbers, some people who stand ready to buy and some who stand ready to sell any amount of cotton and the man who has sold short must be able ultimately to cover himself by an actual transaction if there is a danger of a corner, if he is pressed. And I suppose on the Liverpool market or on the American market, it is always possible owing to the large size of the market and owing to the single contract to take or give delivery in actual cotton? But in India, as I understand, there are several contracts. The varieties seem to come at certain parts of the year and the man who has entered into a transaction on a very large scale might be cornered into having to deliver cotton.

A. That is the reason why I want the cotton contract open for the following year, so that if at that period there is a plenitude of cotton in the market he can deliver it. There is plenty of Oomra in January. There is plenty of Bengal in November. There is plenty of Broach in April-May. In fact these are the contracts that they work and all I say is, before the expiry of the old contract, open a new contract for the following year. There is no likelihood of corners. There is no likelihood of any detriment to the amount of sales, because at that period there is plenty of cotton to deliver.

Q. Are there not months when cotton cannot be had?

A. *Mr. Geddis.*—You cannot get delivery against that contract until the months when the cotton is available. For instance, now, if you sell Broach, there is no question of delivery. It will come in April and May.

Q. You want a contract to be made available for any month? What I want to know is, do you want the futures to be made available for buying in any month or do you want the contract to be made in any month?

A. I think you misunderstood Mr. Wadia. He wanted it so that at any time he could use a hedge, either buying or selling. At present there are occasions when there is no contract available for us. It is not a contract for delivery in any month.

Q. You want a contract to be available in any month ? You want to purchase or sell cotton. You want the April-May contract to be made available in any other month ?

A. On the 1st of April, if one has bought a contract you may get deliveries. You have got that contract as a hedge. You do not want others. Therefore you cut out. Now until the new contract is opened, say for two months, April-May, you have no hedge at all.

Q. But you want a new contract ?

A. Contract for the following year. Now during April and May that contract that we have been using the previous year as deliveries are going on, we have got to clear it. We do not want to run the risk at all. We cannot go in again because there is no new contract open.

Q. They won't sell or won't buy from you any cotton for the following year. You mean the market for hedges is a discontinuous one ? There is no continuity of sales of hedges ? You want cotton to be available for purchase any month ? You want the hedges to be bought or sold any month that you like ?

A. That is the position.

Q. In certain months they decline to enter into transactions with you ?

A. Yes ; the contract is not there.

President.—We were told by the East India Cotton Association that only about half the number of mills in Bombay use the hedge contract system. Do you consider that correct ?

A. *Mr. Wadia.*—It is obvious that if they make proper hedges, more people will use them. Their hedges are so limited and narrow that some of the mills do not use them.

A. *Mr. Geddis.*—I should think that the statement that half of the mills do not use the hedge contracts is not correct, Sir.

Q. It was only an impression. I suppose that you, as they, have no real means of verifying the fact. The last point arising out of this question is the possibility of using the call cotton system in Bombay as they do in Liverpool. That seems to be the system which minimises the risk of alterations in prices.

A. The call system is not widely used at present.

Q. Why is it not more widely used ?

A. *Mr. Wadia.*—They are afraid to use it for fear of being landed with cotton, whereas if they could get in and out readily the hedge contract automatically will become more popular. For instance with regard to April-May Broach a firm has got to clear out its Broach in March, before the end of March every year though in April he may be landed with actual cotton and so for April and May he has got no hedge because the new Broach contract does not open until June. That is the difficulty. For two months we are left without any hedges whatsoever and therefore such a hedge contract does not appeal to great many people.

A. *Mr. Geddis.*—May I read an extract from a letter which rather goes to show that there are some members of the East India Cotton Association who recognise the desirability of it ? They urge ' my Board do not consider that any useful purpose would be served by submitting any further proposals for widening hedge contracts to the representative body of my Association for their consideration, as they feel that they do not meet with the approval of the trade as a whole until such time as they are further educated to a full significance and necessity for the proposed changes in the hedge contract.' That is the letter from the East India Cotton Association to our Association. It shows that they see the desirability but they are unable to carry it through with their members.

Q. But the call system is different from the hedge contract system.

A. Entirely, Sir.

Q. The point I was discussing then was, to what extent you use the call system and whether it would not be advantageous to use it to a greater extent than you are now using it ?

A. As far as my experience goes, this is the first year that call facilities have been available to the trade. They were not available from the sellers to the brokers before this year.

Q. Do you think it will be used to an increasing extent in the future ? What is the experience of it up to date ? What the likelihood of its being used more than it is now?

A. It is very difficult to say, Sir. It is very difficult to pass an opinion on that, whether it will be used or not.

Q. Do you think it is a good system, Mr. Geddis ?

A. I do.

Q. Has it any advantage over the hedge contract system? Are they alternative or supplementary to one another? How do they work together?

A. The hedge is generally purely a hedge against the stocks or against the position. But in the case of call cotton you are going to take cotton. You buy your cotton and you fix the rate later. You are going to take delivery of it later.

A. *Mr. Wadia.*—It is rather going out in Liverpool, for the reason that spinners abused it very largely. They bought a call contract and they took the cotton into the mill and spun it and still did not settle the price. It is rather dying out there.

Q. To what extent has it been used here?

A. *Mr. Geddis.*—Not extensively.

A. *Mr. Wadia.*—Nobody has had any experience of it. It is merely a process of education and then use. Nobody has had any education in it. To that extent we cannot predict what will happen. We can say that it is being less and less used in Liverpool and therefore it is not likely to be very extensively used here.

A. *Mr. Geddis.*—Did you understand, Sir, from what I said that there was a call contract in India?

President.—Yes, the call cotton system.

A. There is no call cotton here. So we want to buy cotton at so much on Broach or so much on any other.

Q. The system as I understand it in Liverpool is that you can buy your cotton fixing only the difference at so much a pound "on" or "off." You order the cotton and call the cotton later on when you consider the time favourable.

A. *Mr. Mody.*—The other party in that case has to hedge.

Q. I believe so.

A. My point is that in order to have a satisfactory call contract you must have a satisfactory hedge contract. Otherwise there would not be any facility. If the hedge contract remains unsatisfactory nobody would enter into a call contract.

Mr. Majmudar.—The merchants also would hesitate.

President.—We are concerned with the point of view of the millowners of course. As far as we understood it the system did afford an additional protection to the millowners.

A. The millowner would find it difficult to enter into a satisfactory contract unless the other party had a satisfactory hedge contract to fall back on.

(c) *Labour*

Q. The first question which arises in regard to labour is with reference to the figures supplied to the Currency Commission by your Association, which were to the effect that the index figure of the wages of mill-hands was 231 whereas the index numbers of wholesale prices and retail food prices and cost of living were only 150, 150 and 153 respectively. We have been examining those figures, and it seems that the 231 was based on the reduction of hours. The figure should not be 231, but you have got to deduct 16¼ per cent. from that, which brings it down to about 190.

A. *Mr. Mody.*—You do not want to take into consideration the reduction of hours in estimating the actual increase?

Q. Certainly not. The two things are not in any way connected.

A. But does it not affect the cost of production?

Q. This is a different matter. When you are working out the index figure of wages, you are looking at it entirely from the point of view of the mill-hands.

Mr. Maloney.—May I explain, Sir, that Sir Victor Sassoon's evidence was entirely misreported. His evidence before the Currency Commission distinctly stated that this figure referred to the rate of wages. It was never said that it was the actual index number of wages. I think Sir Victor Sassoon recently had his attention called to it and he has made the necessary corrections.

Q. You cannot say that the index figure of wages is 231?

A. Certainly not.

Q. That is the point.

A. The index figure of the rate of wages is 224. That is the exact calculation.

Q. We find very great difficulty in ascertaining how wages do compare with the figures in 1914 and we have asked you to supply figures showing the rates paid per spinner per

day in 1914 and what the weaver could earn if he were working on the same cloth, say standard longcloth.

A. I think half a dozen mills have been approached to supply the information direct, but at a later stage probably Mr. Subba Rao will be asking us to explain the wage table in our statement.

Mr. Subba Rao.—Yes, I shall be asking you.

President.—Before Mr. Subba Rao goes on to that, there is a point about the reduction of hours. We have some figures for an upcountry mill here which show that the reduction of two hours in the working day has lowered spinning production by 10 per cent. only against your 16⅔ per cent.; and in that particular mill they are producing now more than they did when the 12 hours were in force owing to the greater efficiency of the labour.

A. *Mr. Geddis.*—That is quite possible in the case of a mill which has not been conducted efficiently in the past.

Q. It has been run efficiently.

A. As it is to-day.

Q. That is my point—whether in Bombay there has been any increase in efficiency as there has been upcountry. The increase in efficiency in this mill upcountry compensates for the reduction in hours.

A. I think we sent out to get replies on this point regarding increased efficiency. We have not got them in yet.

A. *Mr. Maloney.*—In any case, it will be possible to work out whether efficiency has increased from your cost of production statements.

Q. That is what we are doing.

Mr. Subba Rao.—Shall we get this discussion about wages out of the way? The contention is that wages in the cotton industry are at present much higher than the industry can bear, and that is sought to be proved in the first place by a comparison between the rates in 1914 and the rates that were sanctioned, I suppose, for the last time in 1920. That was the last rise given.....

A. Not necessarily. In different mills there have been changes.

Q. Is this figure given in Appendix III to the replies to the Questionnaire correct?

A. That is to-day's figure.

Q. So, you compare the figures of 1914 with these figures and get between them a certain percentage of increase and show the wages are higher by so much and therefore too high for you to bear. In the first place you have to get your basis for 1914. Are these figures your only data, or have you got any fresh data in support of your statement?

A. *Mr. Maloney.*—This is the explanation. You will allow me to read. It will explain the position. "Appendix III of the Association's written replies to the Tariff Board's questionnaire shows the wages paid by the Bombay Dyeing and Manufacturing Co., Ltd., and in order that its exact meaning may be appreciated the following explanation is appended.

There are two classes of operatives shown on the table—

(*i*) Time workers, that is, workers paid at a fixed rate of so much per month. Under the head are included blow room tenters, card room tenters, ring frame side boys and folders.

(*ii*) Piece rate workers, paid according to the number of units produced per month. Under this head come speed frame tenters, winders and weavers."

Q. Why are speed frame tenters being paid by the units and not the card room or the blow room tenters?

A. It is much more convenient to place indicators on a speed frame.

Then, "the figures in the case of time workers represent the wages which could be earned in a full month's work without absenteeism. In the case of piece-workers the figures are the wages which could have been earned from a production equal to the present production per day. It has been pointed out by the Tariff Board that the actual wages for 1923 according to the table are more than 70 per cent. and 80 per cent. above the 1913 figure although the percentage increases over the basic wages are stated to be 70 and 80 per cent. This is explained by the fact that at certain times the basic rates have been raised.

The changes in rates for ring frame side boys and weavers, as typical examples of time workers and piece-workers respectively, are given below:—

"*Ring frame side boys.*—On April 1st, 1910, the monthly wages for a ring frame side boy for a full working month, *i.e.*, without absenteeism were Rs. 13.

Between April 1st, 1910, and April 1st, 1913, the wages were raised and on the latter date were Rs. 15 per month.

Between 1913 and 1918 the monthly wage had been increased by the addition of a good attendance bonus of 8 annas per week and on the 1st January 1918 a 15 per cent. increase was given on account of the dearness of food and the good attendance bonus was consolidated into the basic wage. Thus the 15 per cent. increase was given on a basic wage of Rs. 17-8-0 making the possible monthly wages Rs. 20.

In February 1919 the dear food allowance was increased to 35 per cent. which on a basic wage of Rs. 17-8-0 gives the figure Rs. 23-8-0 as the possible monthly earnings.

In February 1920 the dear food allowance was increased to 55 per cent. for all time workers making the possible wages for a side boy Rs. 27.

A further increase to 70 per cent. in the dear food allowance was granted on 1st November 1920 and from that date the possible wages of a side boy have been Rs. 29-12-0 per month.

Weavers.—It should be explained that the wages are the wages which would have been earned in a 25-day month by a two loom weaver on standard longcloth with a constant production of 14 lbs. per loom, *i.e.*, to-day's average production figure.

The basic rate has been changed from time to time. Up to 1913 the rate was 6 pies per lb.

On 1st January 1918 the basic rate was 6½ pies per lb. and a 15 per cent. dear food allowance was granted. The basic rate remained the same until 1st May 1921, but the dear food allowance was increased to 35 per cent. on 1st January 1919, to 75 per cent. on 1st February 1920, to 80 per cent. on 1st November 1920. From May 1921 the basic rate has been 7¼ pies per lb. The increase in the possible wages of blow room tenters, card room tenters and folders from 1st April 1923 is accounted for by the fact that basic rates were raised from that date."

Mr. Subba Rao.—Which date, please ?

A. You see the increase in the table.

Q. What was the last date when the increase in rates was given ?

A. They have gone up from the 1st of April 1923. That increase affected the card room tenters, folders and blow room tenters.

Q. The increase was given between 1921 and 1923 ?

A. In the case of this mill it was given on the 1st of April 1923. This mill gave it at a later date than the other mills for the simple reason that they had been working double shift and went back to a single shift. During the time they were working double shift they were paying the ten hours wages for eight hours work.

Q. There has been a change in rates in 1923. Between 1921 and 1923 there has been a change in the rate. You said there was a change in the amount that could be earned ?

A. Yes, that is the exact extent.

President.—Why give an exceptional mill like this ? When was the change in the other mills ? You have given us the mill which came in last ?

A. The other figures have been called for for the other mills. The net effect of the rise in wages is the practically same in all the mills. I only explained this mill because this is the mill from which we got figures.

Q. When was the change in the other mills ?

A. It must have been when we changed over from 12 hours to 10 hours.

Mr. Subba Rao.—Was not that in 1920 ?

A. Yes, it was in 1920 I believe.

Q. That is embarrassing for us. We were told last time that there was no change in rates since 1920.

A. This is rather an exception.

Q. Therefore we cannot build anything on exceptional rates of wages.

A. I quite agree that you cannot, and for that reason I say that this is not exceptional as regards the comparison between 1914 and 1923. The net effect is the same. It is unfortunate that this examp'e was put in in our original statement because the time did not correspond with the other mills.

Q. But I was going to use this table for a different purpose, to get the contrast between 1910 and 1923 to see whether there has been or there has not been a reduction in output. I was asking whether you could show the rates in 1914 were adequate. Even supposing that there has been a change between the two dates it does not follow that the proportion

is really considerable if you start with a low minimum. But I want to use this table for a different purpose. I want to ask you whether there was any change between 1920 and 1923 in the rates to show the disparity in figures. You say there was a change in this mill evidently. I understood the changes were in the main in 1921. That is what your representative said before the Currency Commission.

A. That is quite correct, that the percentage increase was given in 1921. Obviously the basic rate was changed when we went from 12 to 10 hours in 1920.

Q. So to get a comparison between the amount of increase since 1920 and any variation in output we should like to get a mill where the basic rate was not changed after 1921. Then we can see whether this standard muster rate did or did not show a change.

A. I should think for all intents and purposes, except that the method of taking the census is open to criticism in certain details, you can get all the information from the wage census conducted by the Labour Office.

President.—Are we to understand that if we were to cut out this column, the last column but one, "Standard muster, 1st May 1921 including 70 per cent. and 80 per cent."—and change the heading of the last column, "Standard muster, 1st April 1923" to "Standard muster, 1st April 1921," we should then have the correct position for the Bombay mills?

A. For the majority. I cannot say for each individual mill. I think that will be impossible.

Q. Speaking generally?

A. Yes, speaking generally, because there were no changes from 1921.

Mr. Subba Rao.—That is about this table in particular. I was thinking of the broader issue as to the amount of rise between 1914 and 1925 or 1926. Now assuming the figures do show a change, a very considerable change, that rests upon the other supposition that the initial rate was adequate. The suggestion has been made that this very change in the rate suggests that the initial rate might have been low. If you look at the figures given in the Prices Enquiry Report, it can be seen that in the Bombay Presidency, in the cotton mills, the rise in wages between 1894 and 1912 was not adequate commensurately with the rise in prices. So it is possible that a great deal of the subsequent rise in wages, in the wage rate, was merely a sort of belated rise owing to the earlier rise in prices. So it would not be quite fair to suggest that all this rise has been subsequent to 1914, because they were getting a much lower real wage than they should have been getting in proportion to the rise in prices.

A. *Mr. Mody.*—Isn't it merely an assumption that the rates of wages were low previous to 1914 and that the subsequent increases which were given were more in the nature of making up for our past sins.

Q. This is the point. In 1912—I cannot give 1914 unfortunately—it is found that the real wages had fallen below the level of 1894—between 1894 and 1912. While prices had risen 25 to 30 per cent. wages had not risen in the same proportion.

A. But there is this against the assumption, that so far as we know there was no agitation for an increase in wages which surely would have arisen if these wages had been inadequate before 1912. It is reasonable to assume when there is a large body of workers who are under-paid that there would be demands for higher wages.

Q. These demands have been made sporadically from time to time.

A. *Mr. Geddis.*—There was no labour trouble.

Q. Labour was not so self-conscious or disposed to demand as it has become later.

A. But if there was no demand it seems to me it is a point against your assumption.

Q. Labour might not have been so very powerful or so very self-conscious. I am merely giving the level of prices before 1912 and the level of wages.

A. What is the comparison? Between Bombay mill wages.....

Q. This is the conclusion that the wages lagged behind the rise in prices.

A. Is this in the Bombay industry?

Q. Here is what they say. "The same has been the case with wage-earners employed in cotton mills in Bombay, Madras and Gujerat." And actual figures were given to show that they were worse off than they were in 1894.

A. *Mr. Mody.*—Relatively to cost of living?

Q. Yes.

A. *Mr. Geddis.*—The figures are compiled by?

Q. Mr. K. L. Datta assisted by Mr. Findlay Shirras. Nominally the wage had risen from 1895 to 1912 from 103 to 125. The real wage tested by the prices level change had fallen from 107 to 99—a fall of about 8 points.

A. When was this compiled, Sir?

Q. In the year 1913.

A. *Mr. Geddis.*—Where were the figures got for the cost of living in 1894 ?

Q. It is not possible to summarise the whole report. I am merely pointing out a probability. The point was also suggested by the Currency Commission.

A. *Mr. Mody.*—You cannot take it as an infallible guide.

President.—I regret to say that there is not a single figure submitted to us which can be taken as an infallible guide.

A. What I was trying to ask was, assuming the figures given in this compilation are correct, because of the fact that the rise in wages did not correspond to the rise in the cost of living, would you say that the workers in 1912 were under-paid ? Would you regard that as infallible ?

Mr. Subba Rao.—Not infallible. It is important.

A. It could be equally well argued that in 1894 they were high. It could be argued both ways. At the present moment the rise in wages is certainly much greater than the rise in the cost of living.

Q. That is one point. About that, you can take the figures of the Labour department for 1914. They give the wages for 1914 as well as the cost of living index and they say you cannot use the wages of 1914 for any purpose of comparison of cost of living.

A. Why do they say that ?

Q. It was based upon entries in cash books and not rates. They feel that has been based upon inadequate or inaccurate data.

A. But these index numbers may be very convenient things, if they tell one thing to-day and another to-morrow. Our own wage bill is pretty conclusive evidence.

President.—That is the point I was coming to, Mr. Mody. We have come to the conclusion that the only way in which we can get any satisfactory light on this question of relative wages is for you to give us the total wages bill of half a dozen mills in Bombay which have not increased their looms and spindles since 1914. I think we can find half a dozen.

A. *Mr. Maloney.*—I do not think we can find more than two or three.

Q. I will look that up. But if we can have the total wages bill for a mill which has not extended since 1914, but has now the same number of looms and spindles, as it had then, that really is the only safe guide and I will see what we can do in the matter. I think there are very few.....

A. I do not know whether your sample will be big enough to give you a correct indication.

Q. We will make the best of it.

Mr. Subba Rao.—We want to know whether the wage ratio has come very much higher. If you take the figures in paragraph 194 of your original statement you get labour—18·78 units in 1914 and 39·69 in 1924. It is a rise from about 33 per cent. to about 38 or 39 per cent. In spite of the great rise in rates it does not show that the labour cost has gone up similarly. I am taking merely the conversion costs. From 18·7 out of 45 pies it has gone up to 39 out of 94. You cannot say that it represents the same big change in the labour costs as the rates seem to make out. Of course the actual amount has gone up by 100 per cent. But the proportion of wages to the total outgoings has not gone up in the same proportion. This is from your statement. It looks as, if 33 per cent. in one comes to about 39 or 40. The share of labour out of 48·22 pies in 1914 was 18·78. It is now 39·69 out of 94·90. So I take it to be 34 in the one case and less than 40 in the other.

President.—I think Mr. Subba Rao's comparison is rather vitiated by the fact that if you are working out the cost of manufacture you will have to leave out the excise duty and also the dyeing charges.

Mr. Subba Rao.—Any way that does not affect the comparison. You get it from 35 per cent. to 40 per cent.

A. *Mr. Geddis.*—Labour charges have increased.

Q. I am merely speaking of the proportion. How do you say that the labour bill has become greater? When everything has gone up and when the total price for the finished goods has gone up, of course the wages bill has gone up too.

A. *Mr. Mody.*—That merely proves that other things have gone up. That does not affect the issue that labour charges have gone up a great deal.

Q. Of course not. It only shows that your wages bill has not risen out of proportion. When things have been going up you have been trying to make out that labour cost is the cancer spot. It has only gone up like any other commodity in price. It is not specially labour

that has gone up. Everything has gone up in price. This is the point. From your cost point of view you have got to show that for a given amount of money you have got a smaller output. Now in this case you have got to show that the output has cost you more in proportion.

A. The only point we were trying to make was that all the other items were items practically beyond our control and the only item in which reduction was possible was this labour item. We could not help taxation going up. We could not help stores or coal going up.

Q. In that sense you cannot help labour going up. That is another commodity you have to pay for in the market. Just as you pay more for stores, you have to pay more for labour. You cannot help labour going up. It is a question of saying whether this burden is relatively greater on the industry.

A. But we are only trying to establish that labour has gone up by a certain percentage irrespective of other items.

Q. I am trying to contrast the rates and the amount you are paying and the proportion of the wage bill to the total cost of production.

A. *Mr. Maloney.*—Surely the calculation is very simple indeed. Our point is that wages have gone up to 211. The index number was then 100 and it is now 211 from this statement, which means that your cost of labour is just over twice what it was per lb. in 1924 as compared with 1914.

Q. So the output has also increased in value.

A. *Mr. Mody.*—Are you challenging the figure or are you basing an argument on it? The figure is there. I thought at the start that you suggested that labour had not gone up in the proportion in which we said it had.

Q. Quite so. I am speaking of the contrast between the rates of wages and the amount of wages you pay. As I said, the test of the comparison would be what you get for a given unit of labour—one day's full work at the rates you paid till 1914 and the rates you pay now. That will give us about the best comparison between the amount of wages paid and the amount of output. If you get figures of that character for half a dozen mills, it will be good.

A. *Mr. Maloney.*—But this gives the amounts because you pay twice as much for one pound of cloth as you did in 1914. In every mill it may not be quite the same. But in this particular mill you pay to-day twice the rates as in 1914.

Q. That is an average rate. I want the wages bill, the total wages bill, and also what a worker would get for a given output.

A. This is the average that a man would get.

A. *Mr. Mody.*—The wages bill we will get you for a mill with constant spindles and looms.

Q. Is it impossible to get the other figure? Take any kind of labour which has to work for a full day and give the rate for one full day for 1914.

A. *Mr. Maloney.*—I have given it in the explanation I have just put forward. It shows in the case of a weaver it is so much per pound.

President.—I take it your point is that in regard to this you have got to divide by 25?

A. Yes, 25 days in the month.

Q. You take 25 days a month and multiply the rates?

A. Yes.

Q. As a matter of fact in April there were 26 working days.

A. *Mr. Mody.*—Some 25 and some 26.

A. *Mr. Maloney.*—It may be 27 sometimes. In 1913 the wages for a side boy were Rs. 15 a month. The wages in 1925 are Rs. 29-12-0.

Q. Is that the rate or only the wage?

A. Rate. For a side boy it was Rs. 15 in 1914 and between 1913 and 1918 the monthly wage has been increased by an addition of good attendance bonus of annas 8.

Q. What is the actual wage?

A. Rs. 29-12-0 per month—full wage.

Q. From Rs. 15 it has gone up to Rs. 29-12-0?

A. Yes.

Q. That is less than 100 per cent. You show 111 here. Have you taken the average?

A. Yes. There are discrepancies.

Q. There are discrepancies; that is the trouble.

A. I should say disparities and not discrepancies.

A. *Mr. Geddis.*—100 per cent. more for two hours a day less.

Q. That is on the assumption that the output is less. We want figures for that.
A. *Mr. Mody.*—The output is not the same.

Q. We want the figures for that.
A. *Mr. Maloney.*—It is proved by the figure 211. It takes the average of the whole wages up to and including weaving.

Mr. Subba Rao.—It is for one mill. Is it not?
A. It will be the experience of the other mills as well.

Q. We want a little more data.
A. You get it from the cost of production sheets. For every mill for which you get the cost of production sheets you can tell.

Q. Just one more point I wish to ask you. You also suggested that the wages in the cotton industry were abnormally high. Are they higher than in any other industry practically in India? These are the figures supplied by the Currency Commission about wages in the Bombay Presidency. I will give you some figures from a table there. You will find that the wages of skilled labour taking 1914 as the basis, are 204 in 1925; field labour 194; ordinary 197. Where is the special disparity or special burden on the cotton industry? You are merely paying what labour is getting in other occupations.
A. *Mr. Mody.*—It all depends on the class of labour you are considering when you are saying that it is 204.
A. *Mr. Wadia.*—Perhaps it is for mechanics.

Q. It speaks too of masons and carpenters in particular and people who are concerned with the building of the new Poona station, constructions of sidings and yards. I take it it includes people who have got no special qualifications—ordinary unskilled labour as opposed to skilled labour—certainly not more skilled than the hands you employ in the cotton industry.
A. Would you not rather compare mill workers with other industrial workers in order to arrive at a satisfactory conclusion?

Q. I am taking this comparison also—the amount of wages that labour is getting outside the cotton industry. It is supplied by the Labour Office to the Hilton-Young Currency Commission—Appendix 49 of the Report.
A. *Mr. Geddis.*—That is Bombay labour?

Q All over the Bombay Presidency. Taking by divisions also, Central, Northern and so on, there is not much disparity between the different centres and they also give the daily rates for urban area and rural area, varying from Rs. 2 to Re. 1 and odd in urban area.
A. *Mr. Saklatwala.*—You are comparing the other skilled workers with our skilled workers?

Q. Quite so.
A. But who are our skilled workers? The Labour Office themselves do not meet that point quite clearly when they take our statistics. Some mills give weavers as skilled labour. Some mills give only mechanics as skilled labour. Some give their engineering staff and we are not at all clear what skilled labour is.

Q. We need not go into that. You take the other labourers, field or ordinary labourer. There is not the disparity in the rise of cotton wages that you seem to suggest. Field labour is 194, ordinary labour 197 and skilled labour 204. You say yours is 211. Accepting that figure, is that figure higher than what you get in occupations generally in the Bombay Presidency?
A. It is a much higher figure if you take into consideration that the majority of our work people are not skilled labour and you are comparing this with quite a different class.

Q. 194 is for the field labour. There is not much difference in the rise of wages in other occupations and your industry. I am not saying there is no rise at all. But it is not so much as you suggest, if you look at these figures in other occupations. There has been a rise in wages all the Presidency over and you are sharing in that rise for good or for evil.
A. *Mr. Wadia.*—Your argument is that these wages have not risen in proportion. I understand you have figures for all India—Cawnpore, Madras, Calcutta and every other place and we can see what the increases are between 1914 and 1926. If you compare the rise of wages in our trade—I am not talking about any other trade—if you compare the rise in wages in our trade in Cawnpore, Calcutta and Madras between 1914 and 1924 you find that our labour has gone up much more.

Q. Quite so. They had a rise in 1914 which you did not share. In Bengal the nominal wages rose from 100 to 148 in 1912. There had been in Northern India a much bigger rise in nominal wages and real wages as compared with Bombay.

A. *Mr. Geddis.*—What were they in Calcutta between 1914 and 1924?

Q. They said it was about 170 or 180. But it is certainly lower than yours. That is because their base was higher than yours.

A. *Mr. Mody.*—We say that wages in the textile industry are higher than generally prevail in any other industry in India. We have not said anything about other occupations. We have confined ourselves to the statement that the wages to-day in the Bombay mil industry are higher than those paid in any other industry in India. That is the only thing we have done and we have also compared our wages with the increase which has taken place in England. We are concerned only with the wages paid in industrial undertakings in India and we have also for the purpose of comparison given you what the wages were in England between 1914 and 1922, and I think that bears out our statement that we are paying an adequate wage to our labourer which compares very favourably with that paid in any other industry.

Q. It is not a question of not paying adequately. It is a question whether the cotton industry has had to bear since 1914 any special burden in respect of wages which other industries in India have not been bearing. That point I do not think you have explained.

A. We have talked about industrial concerns. That is the only point we have taken up, namely, that our increase has been substantial compared with the increase which has taken place in other industrial concerns.

Q. I want to suggest that so far as Bombay is concerned other occupations are also paying more. Labour is not getting anything special from you.

A. *Mr. Geddis.*—Apart from figures, you have got the fact that there is no difficulty in getting labour and any amount of it. They always come back to the mills. If they could get more elsewhere they would not come back so readily. It is a fact; there is no theory about it.

Q. But I suggest they are getting more than before elsewhere?

A. I do not think you did. What I am trying to make out is that we are giving more than elsewhere; otherwise they would not come.

Q. You cannot expect a mill hand to become a carpenter the next day.

President.—As regards the question of piece-work and time work, we have found in some upcountry mills that the system of piece-work is in force in the spinning department. What are the drawbacks to it in Bombay?

A. *Mr. Wadia.*—In the ring frame department, Sir?

Q. Yes. In one or two cases we found it for ring frames—I think in Cawnpore.

A. *Mr. Saklatwala.*—It is very difficult to do so in the case of ring frames. We will have to put indicators to show the production in the first place and I will just give one instance. In one of our mills the jobbers are paid by piece-work as far as the production is concerned and sometime ago I found out that a jobber was in league with the weighing clerk and the same doff was weighed twice. It was weighed in the afternoon and just before closing of the day also, merely for the sake of the jobber getting a little more. So I think that on the whole it is better that fixed wages should be paid on the ring frames.

Q. We also found in one of the upcountry mills that they had succeeded in getting their spinners to take on more spindles by sharing the proceeds with them, their idea being, for instance, that if the total gain was 7 annas 6 pies, 6 annas went to the spinner and 1 anna 6 pies to the mill, and that system was working quite well. As you know, one of the points we discussed with you last time was that the spinners in Japan are looking after 240 spindles whereas in Bombay they are looking after 160. There are obviously two alternatives before the mills, one is the reduction in the wages and the other is getting more work out of the operatives. The question is how you are to do that and this is one method which has been adopted in the upcountry mills. Is it out of question to apply it to Bombay?

A. *Mr. Wadia.*—I do not say it is impossible, because we have been considering putting the workers on piece-work in the ring frames. But the difficulty here is if you introduce anything new, all the mills have to introduce it. Otherwise if individual mills start anything new, they immediately get a strike. We have to go very carefully. I quite admit the justice of your remark and the justice of the suggestion that we should try. But we have got to go pretty slowly on any radical change like that and we have to convert first of all our members to the change, then we have to convert all our hands and all the mills have to do it. Individual mills won't be able to do it.

Q. It comes to this, Mr. Wadia, that the up-country mill has an additional advantage over the Bombay mill which we had not yet fully explored. It is in a position to try economies which the Bombay mill is not owing to the difficulty of persuading all the mills to do the same thing.

A. *Mr. Geddis.*—It is much easier for them to handle their labour than it is for us in Bombay.

Q. I do not know whether you quite understood me. Did you follow my second point? You were referring to the first point, I think, in your reply just now, Mr. Wadia, which was the question of paying the spinners by piece-work. My second point was as regards the question of spinners looking after more spindles. We found this system was found in force in up-country mills, I mean the system of inducing the spinners to look after more spindles by increasing their wages.

A. *Mr. Wadia.*—How can they manage it? Because after all in our case the weft ring frames have 200 spindles and a boy looks after 200 spindles and the warp ring frame has 348 spindles, 174 a side. The warp frame boy looks after 174 spindles. If you say "pay him more by putting him to look after more spindles" is he to look after a frame and half? How is he to do it?

Q. What they did was to have two boys to look after what three were doing before.

A. I do not know, how they arranged it. Perhaps the Expert may tell us.

Q. Mr. Majmudar was unfortunately not there at the time. I do not think their frames were bigger. It was in Messrs. Binny & Co.'s mills and we were told by Mr. Chambers who gave us evidence for our record.

A. But taking your argument. Three sides to a 400 spindle ring frame; that means 600 spindles to be minded by two boys; that means 300 spindles for each boy, which I venture to think would be rather more than he could manage. Then taking warp frames three times 174 is 522; dividing that by 2, each boy would mind 261, which will be rather more than what he could manage.

A. *Mr. Saklatwala.*—May I know why they do it—shortage of labour?

Q. For the same reason that you would do it if you could. It is a perfectly reasonable idea that, as expenses in every direction have gone up, some retrenchment is necessary and the best plan is to secure it by co-operation with your labour if this can be done.

A. But have they proved to the Board's satisfaction that they are getting the same production and that no more waste is made on the frames? Are the labourers able to mind those spindles without detriment to efficiency?

Q. They appear to be satisfied with the experiment so for as it has gone. It has not been in force for long, I think they are experimenting. What we want to know is whether you cannot experiment too.

A. *Mr. Wadia.*—We have been considering the matter for long as to how we could do it. The difficulties are great. Binnys have adopted for instance Northrop looms and we had all sorts of figures on that. We had also experimented. We have had them for the last 5 or 6 years. As I say the experience varies with different localities and you cannot dogmatise on any matter.

A. *Mr. Geddis.*—I think Binnys used to have one weaver to one loom.

Q. They still have.

A. Perhaps if we have the evidence of Mr. Chambers it might help us.

A. *Mr. Saklatwala.*—When there is shortage of labour especially after holidays we have to do this sort of thing, giving more spindles, etc., and we find that our production suffers terribly. There is much more waste.

Mr. Majmudar.—In certain mills there are double siders.

A. *Mr. Geddis.*—From necessity or choice?

Q. I do not know.

A. *Mr. Wadia.*—We think from necessity.

Q. That is what Mr. Baptista told us.

A. It is so in many mills in Bombay, but not from choice.

President.—What is the necessity?

A. *Mr. Geddis.*—Shortage.

Q. You mean seasonal shortage?

A. Yes; after Holi holidays, for instance.

A. *Mr. Wadia.*—In fact, when there is a labour shortage all the Bombay mills have to work double sides. Otherwise we should never get the necessary labour.

Q. Does it not show that what Bombay suffer from is the tyranny of the jobber ?
A. I am telling you what is the practice.

President.—There are two points arising out of this morning's discussion. As regards mills which are practically or absolutely in the same position in 1926 as they were in 1914, in regard to looms and spindles I find that your mills, Mr. Geddis, are the nearest.
A. *Mr. Geddis.*—On what point was that ?

Q. We came to the conclusion this morning that it would not be a bad thing if we had the total wages bill of a mill in Bombay which had the same number of looms and spindles now as it had in 1914.
A. Yes; but unfortunately in 1918 or 1919 our office was wrecked by fire and all our records were destroyed.

Q. Mr. Wadia's Century Mill is one of the nearest, that is apart from the Zenith mill. Do you keep the wages bill for the Zenith and Century separately ?
A. Yes.

Q. If you do that, it would be a help to let me have the figures. You have only got about 600 spindles more than you had in 1914 and you have got 50 less looms.
A. *Mr. Mody.*—You want the total wage bill ?

Q. Yes.
A. We can give you cost per pound now.

Q. I think you have given that. If not we should be glad to have it and also the total wages bill if you have got it. I find I made a mistake this morning. It is rather difficult to recollect all the details we have been given in the course of oral examination. I find that I was wrong in saying Messrs. Binny & Co., told us that two people are now doing the work of three. It should have been that three were doing the work of four. And as far as I can make out from their evidence the point is not quite clear as it should be. But it would seem that they now have three boys looking after 720 spindles as against four which means 240 per boy. I also find one mill in Cawnpore which has two spinners to three-half sides which means that they are looking after 200 to 225 spindles each. Both are higher than Bombay figures. What we were discussing was the possibility of your adopting some such system.

A. Did you enquire why they had one loom for one weaver ?
A. *Mr. Wadia.*—It is entirely a matter of calculation as to which pays best.

Q. We now come to the question of absenteeism. I think we have now got the point comparatively clear. What we understood from you last time, Mr. Wadia, was that your wages bill was 10 to 12 per cent. higher than it should be owing to the fact that you had to employ 10 to 12 per cent. more labour than was really required to make up for people who were absent. I gather from the subsequent statement we have received from Mr. Maloney that that was an incorrect impression.
A. I think so. From that 12 per cent. labour, must be deducted the absentees.

Q. Yes; we have not got that quite clear. I wanted to get it quite clear as it is a matter of very great importance.

Mr. Subba Rao.—I want to know whether you consider that the percentage now is very high. It was given as 11 per cent. some time ago.
A. Perhaps I had better explain the position. Supposing we require 100 men for our mill. Then on our musters we have 110 men and on the face of it it looks as if we are paying 10 per cent. more. But we invariably find 2 or 3 per cent. of these 100 men are absent and invariably that is the minimum and very often many more, so that if on an average 5 to 6 per cent. of absentees occurred per day, then the amount of extra we pay is 3 to 4 per cent. Our neighbouring mills have adopted the principle of not filling up the absentees by surplus men on their muster but by going to the gate and obtaining them from men who are waiting for a job. Some of the mills of Mr. Geddis are in our neighbourhood. This is one reason for the necessity of employing greater labour and secondly, it is an economical calculation, whether you would like to have to pay 3 or 4 per cent. extra in your labour bill in order to compensate for the greater efficiency that these men who have been brought up in the mill show when put in the mills or whether you do not think that the 3 or 4 per cent. is worth the chance of breakage of machinery being inefficiently worked by the casual labour which you find at the gate. But in practice, although in theory it is 10 per cent. more, in practice I do not think it exceeds more than 4 or 5 per cent.

Q. Now I was not asking a question on that point. If you remember, when you first came before us, we had some discussion as to the effect of absenteeism on production and I think a great deal was said as to the undesirability of absenteeism and the way in which

the mills were embarrassed by the large proportion of absentees. I find from the figures given by the Labour Office that the proportion of men is 7·86 per cent., women 13·19, average 8·97, or say about 9 per cent. Do you consider that a very heavy scale ?

A. *Mr. Geddis.*—I do not think these figures are correct.

Q. These are the latest figures—since July, revising the old ones.

A. They have not been published yet. I should be very much surprised if the figures are correct because actually only 45 per cent. of the workers put in a full working month, *i.e.*, work 25 days a month if there are 25 working days in that month.

Q. But I am taking these latest figures.

A. It is impossible to criticise them because we have not seen them.

A. *Mr. Mody.*—Are these taken on the basis of the latest compilation, taking July as the basis ?

Q. Yes.

A. July will naturally show better attendance than other months.

A. *Mr. Geddis.*—But the Labour Office have not published their figures yet.

Q. They do not show a large amount of absenteeism and I have figures for absenteeism in the mining industry in England. You get the same percentage, 9 per cent.—10 per cent. before the 8 hours, 9 per cent. before the 7 hours and 8 per cent. now.

A. When a budli works, with reference to the figures quoted may I ask whether he is marked present or not ? Because that is a very important part. The mills have a habit to mark a weaver present even when a budler is working for him.

Q. I merely want to suggest that if these figures are accurate you cannot complain of any special hardship on account of absenteeism compared with industries elsewhere.

A. *Mr. Mody.*—July is one of the best months for attendance.

A. *Mr. Saklatwala.*—May I point out that Bombay shows a higher percentage of absenteeism than Ahmedabad ? Just yesterday I got figures from my mill in Ahmedabad. I find that out of a number of 1,125 men employed, the number of hands absent is 35 immediately after pay day or holidays and the minimum is 16. That means it varies between 1½ and 3 per cent.

Q. The average is 3 to 4 per cent. in Ahmedabad ; but there are special reasons for that because the population there is practically local. It is not migratory as yours.

A. Exactly. These are the reasons ; but our absenteeism is greater than what prevails in Ahmedabad.

Q. Yes, and a considerable part of it is unavoidable absenteeism, owing to illness and so on. You cannot say that the industry is specially burdened.

A. Why should men get ill only after pay days or holidays ? It is only then that it is 14 or 15 per cent.

Q. But after all, illness does play a considerable part especially in a city like Bombay. There might be other reasons too.

A. *Mr. Mody.*—I would like to emphasise again that the figures of attendance are for July which is one of the best months and secondly, there was a long strike lasting for about three months, only a few months before and therefore the men had a lot of lee-way to make up. But in a normal year you will find that the absenteeism is higher than the Labour Office figures.

Q. But it remains at this figure of 9 per cent.

A. *Mr. Maloney.*—You think this 9 per cent. is not a high figure ?

Q. It is part of the burden of the industry. You have it everywhere.

A. *Mr. Geddis.*—You are comparing those figures of the mining industry. Will you compare it with the textile industry at home ?

Q. I have not got the figures.

A. If you could, it would be a better comparison.

Q. It is 5 or 6 per cent. for industry generally.

A. *Mr. Maloney.*—In the cotton textile industry in Lancashire it is very little indeed.

A. *Mr. Geddis.*—It will be a fairer comparison to compare ourselves with the textile industry.

Q. I merely suggest it is not a very big drain on you compared with industrial conditions elsewhere. It is in the nature of human constitution to fall ill.

A. The figure you are quoting for Ahmedabad, 3 to 4 per cent. does not bear out that it is a small figure even accepting that figure of 9 per cent.

Q. It is much lower than 12 or 13 per cent. and if you allow half of that to unavoidable causes, the proportion which you will have is very small.

President.—As far as I can make out from the English figures, the proportion there is about 2·4 per cent.

A. *Mr. Maloney.*—That is about right.

A. *Mr. Geddis.*—Taking into consideration July, it is possible that it is one of the best months of the year—and also after a strike the attendance is good.

Q. The strike was six months before.

A. Yes; a three months' strike. But the attendance is good and I therefore suggest that 9 is a very good figure to give.

Mr. Subba Rao.—If that continues, it is a very good figure? What do you consider a fair amount of absenteeism for the Bombay labour, which would give you a certain amount of relief or satisfaction?

A. I would say that it should not be any more than Ahmedabad.

Q. But their population is local. Unless you give the necessary conveniences in point of housing, how can you have the same conditions?

A. *Mr. Mody.*—You suggest now that, out of 9 per cent., 4½ may be regarded as unavoidable. But that cannot be so for the simple reason that in Ahmedabad both for avoidable and unavoidable causes it does not amount to more than 3 per cent. So why should you assume for unavoidable causes here a much higher figure than for all other causes in Ahmedabad?

Q. I merely said half. You cannot guarantee in Bombay the same climatic conditions as elsewhere?

A. *Mr. Geddis.*—It depends on the acclimatisation. Our mill-hands are acclimatised to Bombay.

Q. But a good many of them come from the Konkan and they frequently go back. It is said that it is a good thing they go because when they come back they have improved in health.

A. *Mr. Mody.*—Even if under the conditions in Ahmedabad it can go down as low as three, you cannot regard 9 per cent. as anything about which we can be happy, particularly when you remember that this 9 per cent. does not represent the conditions all over the year. It will be a great deal more than 9 per cent. in March or February and so on.

Q. It is stated that in May it is rather high. Is there any special reason for it?

A. I think in May they begin to come. It would not be the worst month.

Q. I was told that in May they go for marriages and other things.

A. Round about Holi they migrate in large numbers.

A. *Mr. Geddis.*—May would be worse than July.

Q. You consider then that even 9 per cent. is too high?

A. *Mr. Mody.*—Yes.

Raja Hari Kishan Kaul.—It has been pointed out by the Labour Union that wages were reduced here by some mills in February and by others four months ago and so on. Is that so?

A. This year?

Q. Yes.

A. Not that we are aware of.

A. *Mr. Wadia.*—A general reduction or sectional reduction?

Q. In the Khatau Makanji mills and in Assur Veerjee mills, they were reduced generally.

A. *Mr. Mody.*—In the Khatau Makanji mills, if my recollection is correct, that matter was brought up to our Association and it was represented to us that those mills had found that the rates they were paying were much higher than those obtaining in the neighbourhood and hence they were obliged to adjust them to the neighbouring conditions.

A. *Mr. Geddis.*—That is so. Compared with the neighbouring mills and in almost every instance the Khatau Makanji mills were paying higher.

Q. Then they have also given us some figures for the last three months and shown that the earnings of the individual weavers have fallen considerably. Is that fall due to the reduction in the rates or is it due to anything else?

A. Weavers in which mills? Generally or during the three months?

Q. They have given us the names.
A. They may have picked out one weaver in a particular mill which was making slightly better paying sorts in one month.

Q. They have given several names for each of the mills. For instance, Emperor Edward Mill.
A How many weavers ?

Q. They have given 68 names and in each case the earnings have gone down, for instance, from Rs. 60 to 45 and from Rs. 35 to 21.
A. For how many working days compared with the previous period ? That is surely not due to any reduction. There must be an explanation for that.

Q. In some cases they have given the reduced rates. For instance, they say Swadeshi Mill No. 2 in Girgaum reduced the rate for dhotis from Rs. 0-2-9 to 0-2-6.
A. *Mr. Wadia.*—There is a continual process in every mill of adjustment of rates—a small increase here and a small decrease there. Every day of the year there is almost a continual adjustment of that character.

President.—Mr. Saklatwala is obviously in a better position to speak of Swadeshi Mill No. 2.
A. *Mr. Saklatwala.*—I do not know exactly which particular dhoti is intended. It may be that one particular dhoti with a quarter of an inch border will have a lower rate than the one with half an inch border.

Raja Hari Kishan Kaul.—They have given these instances of dhotis of ten yards.
A. Do they say that they are the same dhotis, the same border ?
A. *Mr. Geddis.*—We do not admit that there has been any reduction. If you give us those cases, we shall enquire.

President.—I think Mr. Maloney has copies of this already.
A. *Mr. Maloney.*—I have not got the copies of their oral evidence.

Q. We will send them and if you send us your explanation we will be glad to have it. In regard to the Khatau Makanji mill there was a reduction all round everywhere apparently. You say that was due to the fact that the wages they were paying were higher than the other mills ?
A. *Mr. Geddis.*—Yes.

Q. It seems curious that they found it out so recently and started this reduction which was made in practically every department.
A. In practically every department they were paying too high.

Q. But my point is that it seems curious that they did not find it out earlier.
A. *Mr. Mody.*—But the times are bad and everybody is looking into things more closely now and they thought that this was an appropriate moment for bringing the scale down.

Q. Why did they not do it before ? Your contention is that this depression has been going on for some time and one should have thought that this reduction of wages would have been made at an earlier stage.
A. *Mr. Geddis.*—It may not have come to their notice.

Raja Hari Kishan Kaul.—When we went round the mills we were given to understand that their rates were higher because they were spinning finer counts. Is that the explanation ?
A. We can look up in our papers if you give us the figures.

Q. Then as to absenteeism, barring the provision of housing accommodation, is there any other way you think in which it is possible to reduce absenteeism in Bombay, or do you think that the nature of the labour which you get is such that the absenteeism will always be larger here than in Ahmedabad and other places.
A. We find that when they have earned sufficient money they begin to absent themselves and work in less days than there are working days in a month. We think that this habit will continue.

Q. You think it is owing to the nature of the labour that you get ?
A. That is my personal opinion.

Q. Do you also think so, Mr. Wadia ?
A. *Mr. Wadia.*—If they get more wages than they normally need in a month, they prefer not to work.

Q. Supposing they get only as much as they want or if the conditions are the same as in Ahmedabad where the wages are not higher, is there any possibility of the

absenteeism coming down or is the nature of the labour which you get here such that the absenteeism will always remain the same ?

A. Well, I hesitate to make a statement, because our manager tells us that the attendance was certainly better when the wages were lower than was the case subsequent to the rise. But I hesitate to make that statement because I have not got the facts and figures to confirm it. If we find that we are short of labour we send out our jobbers to the chawls and they return with a lot of men who are doing nothing. We ask them why they do not come to work and there is no answer.

Q. Then want of accommodation is not the reason for it ?

A. We have housing accommodation.

Q. The greater absenteeism is not due to want of housing accommodation ?

A. I do not think so. I think that when mills house their workers there is less absenteeism because they have not got to walk the same distance as when housed in the town and also they have better supervision. The keeper of the chawls would also go round and find out why they are absent.

Q. Nevertheless you say that you find idlers in the chawls ?

A. Sometimes we are hard pressed. It is an extraordinary thing. But it is a fact.

President.—The next question is about housing. Sir N. N. Wadia in his evidence before us said that Government inaugurated the chawls on the distinct promise that the economic rent charged for the mill hands should not exceed Rs. 5-8-0 per room. I said "Are you in a position to show us the authority for that statement" ? He said :—"Yes ; we are ; the Governor's own speech in the Local Legislative Council. I will send you a copy of that Speech." The copy you have sent has no bearing whatever on that point. It does not seem to me to have anything to do with it. The Governor did not mention the figure Rs. 5-8-0 any where. He mentions the cost of the tenements as 5 crores and 50 lakhs.....

A. *Mr. Geddis.*—I think Sir N. N. Wadia may have been misunderstood there. He was working out the estimated cost per room and what the rent would be on that basis.

Q. He said there was a distinct promise, and he promised to give evidence of that promise. The Governor's speech conveys no promise of any kind as to the rent and it can hardly be said to convey a promise as to the cost. It merely says, a rough estimate of 5 crores and 50 lakhs.

A. *Mr. Wadia.*—I think, Sir, you will find in that speech that each room was to have cost Rs. 1,100.

Q. Yes, that was a rough estimate.

A. And I think Sir N. N. Wadia was calculating the interest on Rs. 1,100 which approximately comes to Rs. 5-8-0 per room per month. I think that is how he got that. As a matter of fact the rooms cost Rs. 2,200 and in spite of such luxuries as side-rooms, foot-paths, lighting, etc., they are still empty.

Q. The exact cost according to the figures supplied by the Government of Bombay is Rs. 2,084.

A. I think they erected about 16,000 rooms.

A. *Mr. Mody.*—It does not include drainage and sewerage, does it ?

Q. Yes, everything.

A. They have erected about 16,000 rooms and our contribution has gone to pay the difference on the interest charges and the revenue they expected to derive from the number of rooms that His Excellency mentioned. We estimated the rental would be something near Rs. 5-8-0 for the reason that these rooms were estimated to cost Rs. 1,100 each and His Excellency said as follows with regard to the rental. "It will however be clear to any one conversant with the conditions of industrial life in Bombay that it will be impossible to expect a return from the rent of these buildings which will meet the expenditure incidental to capital expenditure of that kind, much less a return of a profit." Which means that apart from the fact that the rooms were to be built at as low a cost as Rs. 1,100 the Government were not going to exact an economic rent. If you take these two circumstances into consideration you would arrive at a rental which would be very nearly Rs. 5-8-0 as mentioned by Sir N. N. Wadia.

Q. The Government of Bombay have informed us that they are prepared to offer these chawls to you if you are willing to take up whole chawls. Have you considered that offer ?

A. It has not come to the Association.

A. *Mr. Geddis.*—It may have done so privately.

Q. What they say here is, " If Millowners are willing to take up whole chawls for the housing of their labour and pay a fixed lump sum rent per chawl, the Development Directorate is ready to lease chawls to them at rents which will work out at the flat rates per room per month shown in the following table ".

A. That has never been put before us as a body. It may have been a private conversation or private correspondence with one millowner.

Q. In the circumstances you are unable to say what your views would be ?

A. It must be a firm offer before we can consider it.

A. *Mr. Mody.*—It has not come before us officially.

Q. I am surprised to hear that. The Board gathered from this correspondence that the offer had been definitely made to you.

A. *Mr. Geddis.*—That is not so.

A. *Mr. Mody.*—If it is officially communicated to us we will of course give it our best attention.

Q It is of course hardly for this Board to communicate it to you. As regards the rent at which they are prepared to lease to you the chawls they say that it would work out at the rate of Rs. 4-14-9 for the Worli chawls and Rs. 6, Rs.7 and Rs. 8-2-4 for the Sewri, Naigaum and DeLisle Road chawls. They say that the average for Worli, Sewri and Naigaum works out at Rs. 5-7-11. That is the average rate at which they are prepared to lease the chawls to you and they say that it is a significant fact that several of the mills charge higher rates for the accommodation they provide for their employees.

A. *Mr. Mody.*—So far as ours are concerned we charge Rs. 5 a room.

A. *Mr. Geddis.*—We charge Rs. 5 a room.

A. *Mr. Mody.*—Any way it is not officially before us and we are unable to say anything.

Q. The Labour Union has stated that the three Mills, the chawls of which were as bad as those of private landlords are the Textile, Dinshaw Petit and Maneckjee Petit. Do you care to say anything about that ?

A. *Mr. Geddis.*—I am afraid we do not know.

Q. We now come to another point made by the Labour Union, which was about the power which rests with jobbers, the power of recruitment and to a large extent of punishment. How is Bombay mill labour recruited ? Is it invariably recruited through jobbers ?

A. *Mr. Geddis.*—To a large extent jobbers bring the labour.

Q. We found that in most of the mills upcountry the labour was recruited direct by the official of the mill in charge of the particular department which required it. Is there no possibility of adopting that system of recruiting labour in Bombay ? Is not recruitment through jobbers obviously open to abuse ?

A. *Mr. Mody.*—How are you to get at your labour ? We think the jobbers are the men most competent to do that under the present circumstances.

A. *Mr. Geddis.*—From the point of view of abuse is the upcountry system not equally open to it ?

Q. I should say not, if you have a responsible officer to recruit—a weaving master or a spinning master. If he recruits the labour, there is a chance of getting more satisfactory labour than if you leave it to a jobber. Certainly from the point of view of the labourer himself it is a better system, because he is less likely to be mulcted in a portion of his wages by the man who recruits him.

A. *Mr. Mody.*—As I said, Sir, we think that it would be more satisfactory to get our labour through jobbers for the reason that I do not think otherwise we can fill up the places of our absentees or keep all the machinery going. These jobbers are in touch with the men. The assistants are not in touch with the men as much as the jobbers and naturally therefore the recruitment is being done through jobbers.

A. *Mr. Geddis.*—The labour of course is scattered over a big area ; some in one district and some in another district, and it will make it very difficult for a person like a weaving master to try and control it.

Q. Don't you get any applicants at the mill gates ?

A. Every morning we get them.

Q. If that is so, could not the weaving master or the spinning master take them on after the consideration of their past records ?

A. Taking a casual man like that at the mill gate—you know nothing about him. Whereas if a jobber gets a man he knows him and the chances are that he will be a more skilled man.

Q. They are obviously there for employment if they are at the gate.

A. If there is a labour shortage in a department, the jobber goes out. He will take a man whom he knows. Whereas if a weaving master went to the gate he would select anybody whom he did not know.

A. *Mr. Mody.*—About these upcountry mills, who are these recruiting officers, what different classes of people do they come from ?

Q. The recruiting officer is the weaving or the spinning master. They come to him and he examines their qualifications and gives them a chance.

A. My point is that the jobber is one of them. Under Bombay conditions the jobber practically comes from the same class of man as the workman himself and therefore he is naturally in touch. Now the men who are above the jobbers do not belong to the same strata of life. They belong to a very different stratum of life and naturally they are not in touch with the men. Therefore I was enquiring whether the recruiting officers in the upcountry centres were of the same class of people or a different class of people.

Q. Is it necessary that he should belong to the same class ? I will give you my own experience. I have found in various offices in which I have been that an extremely inefficient class of peons was being taken on and I have insisted on all peons coming before me and having a look at them myself. And I found that that was a much better arrangement than allowing anybody else to do it. So it seems to me that it is better to have the people up before the weaving or the spinning master as he can tell from a look of them whether they are going to be any use or not.

A. *Mr. Mody.*—I do not think it is possible in the case of an industrial population like that of Bombay with 150,000 men. You cannot easily get at them unless you have some point of contact with them, which these superior officers do not enjoy at the moment.

A. *Mr. Saklatwala.*—I may point out that these jobbers are after all acting under their supervisors. It is true they bring labour. But it is not certain that any man the jobber brings will be employed. If the man is inefficient or if the man is known to have a bad record he will not be taken on.

Q. How are you going to get at that ? Your point is that it is only jobbers who know the past record ?

A. Very often a weaving master knows that a weaver has been in his department and that he was dismissed for some reason. If the jobber brings a dozen men who are absolutely useless, who are merely learners, then the spinning master will not have them.

Q. How can he find that out until he actually employs them ?

A. Yes, after employment. I mean the jobber's duty is to get as many men as possible but it does not rest with him to keep them. After all the superiors decide whether these men are to be employed or not.

Q. Has the Millowners' Association ever considered the question of registering the operatives so that they may have some check on them ?

A. We once tried registering jobber . We had to make a beginning with the registration of jobbers.

Q. Did you get very far ?

A. No.

A. *Mr. Maloney.*—We had the idea in mind but we had to drop it.

Mr. Majmudar.—Could not that work be entrusted to the assistant weaving or spinning master ?

A. *Mr. Saklatwala.*—I do not think so. In very many cases the assistant spinning or weaving master may be a Parsi or European for instance and if we send him to the chawls.....

President.—It is not a question of sending him to the chawls. These people come to the mill gates.

A. But how many come to the gate ?

Q. Mr. Geddis said there is a large number.

A. For instance in the Tata mills we employ over 4,000 people. At the gates we do not get a thousand people. Fifty or 60 come. Of course that makes a large crowd at the gate. But it does not mean that the spinning master can fill his requirements merely from that....

Q. Surely you have not 60 vacancies per day. Have you ?

A. Yes, we have got vacancies and knowing that there are vacancies the men come to the gate.

Q. How many per day ?

A. That is difficult to say. It depends on the absenteeism which prevails—5 per cent or so.

Q. You would not have that according to your own figures. According to your own figures you keep a surplus of about 10 per cent.

A. We do not keep a surplus of 10 per cent. in all the mills.

A. *Mr. Geddis.*—That is Mr. Wadia's system.

A. *Mr. Saklatwala.*—We do not keep more than one or two per cent. as spare hands in certain departments. And of course when the labour is short they are employed. Then we have to get a large number of outsiders when there is much absenteeism.

Q. If you say definitely that the average absenteeism is 5 per cent. and therefore you say we shall in future keep 5 per cent. extra and spread them over the departments, which will enable us to replace our absentees by labour that we know all about, would that not tend to efficiency?

A. *Mr. Geddis.*—It is a matter of opinion.

Q. It seems to me that the additional cost, if you work out your average percentage of absenteeism, would be far less than the cost of taking this casual labour from the gate.

A. *Mr. Saklatwala.*—The difference between the casual labour and the men employed at our own mills is that the man who comes from outside is inefficient inasmuch as he has not worked in that particular mill. It is not that he knows nothing about the work. He is not accustomed to the particular conditions of the mill.

Q. The chances are that he is not a good man; otherwise he would not be seeking for casual employment.

A. That is probable. He may have worked in a different mill before.

Mr. Subba Rao.—You said that the fact the jobber brings anybody is not a guarantee that the applicant is a good workman. He has got to be tested by some amount of work in the mill itself. Therefore it is merely a question of getting the number through the jobber and not necessarily efficient labourers. That has got to be settled later on by the spinning or the weaving master.

A. *Mr. Geddis.*—Not necessarily inefficient labour.

Q. He merely gets numbers.

A. He has a knowledge of the hands and therefore there is every possibility of his bringing a man he knows is skilled.

Q. Possibility. But he has got to be tested.

A. Yes.

Q. You do not depend ultimately on his selection.

A. No.

Q. Therefore is it not better to avoid the jobber altogether? Since you suggested this morning that labour is plentiful in Bombay, why not have some bureau of employment from which you can draft your men from mill to mill?

A. To my mind it will be absolutely impossible.

Q. It has not been tried, this idea of some sort of centre of employment where you would get these people to register themselves and then draft them to the various mills.

A. You would not get the hands to register themselves in the first place.

A. *Mr. Mody.*—There are seasons in the year—I am not dealing with abnormal times—but ordinarily there are seasons in the year when there is a very considerable periodical shortage. That is not by any means made up by the number of people who loiter about at the gates. It is one of the first businesses of a jobber to get his machines going. That he does by recruitment not merely at our gates, but very often outside the gates.

Q. Quite so. There is a shortage. Is not that a matter for some common organisation to deal with and not for each mill to grab for labourers, thereby putting up wages.

A. My point is you would not get at the worker except through somebody who hails from the same class of people. The jobber is a man of that type.

Q. But we have been told that the system is attended with a good deal of abuse, that it leads to a good deal of corruption?

A. I do not deny the possibility of corruption. That is one of the evils attendant on all recruiting. I do not think it is confined to the textile industry.

Q. No, I did not say that.

A. Nor do I think that there would be a tremendous improvement if recruiting was done in any other way.

Q. Supposing you had a bureau of employment? These people may be employed through the bureau.

A. I am sure that the system is not possible with the workmen's present limitations.

Q. That has got to be tested. You have got to face not very far off, problems of unemployment insurance and you have got to link any kind of help with the system of

labour exchange or bureau of employment. Therefore is it not desirable to have some such scheme ? Certainly you can get now quantity but you have got no further particulars about the labour except that the jobber is likely to know a man who is competent.

A. *Mr. Mody.*—Yes, there is not always a guarantee.

Q. That makes it worse.

A. It makes it very difficult for any other persons but a jobber to reach them.

Q. I am speaking of some common organisation. You said there are labourers ready to come and work in Bombay.

A. I do not think that it is at all possible with the workmen's habits as they are at present. Most people would not know for what purpose such an organization actually existed.

Q. I suppose that is true to a large extent. But you have got to deal with a man and you have got to use him to the best advantage.

A. If he is more educated he will be much more amenable to a proper system of organization. We grant that. But at the present moment he is steeped in ignorance and he is not a very easy party to handle.

Q. He can be handled only by the jobber ?

A. At the present moment it is a necessary evil which we have to put up with.

Q. If he is so amenable to control by the jobber, can't he apply to a clerk in the employment bureau and he can direct him to you ? What is there specially in the jobber that gives him a special hold over these people ?

A. He may have all sorts of dealings with the jobber.

Q. That seems to be the source of the evil. He is said to be more or less in the hands of the jobber even in matters of credit. It won't give him a great inducement to work and work continously. Isn't it desirable to bring him into touch with the heads of departments ?

A. As a general principle you would admit that for recruiting to be successful there should be a point of contact between the recruiting officer and the people to be recruited. That point of contact exists at the present moment only between the jobber and the man. It would not exist between a Parsi or a European spinning master and the man.

Q. I understand that a Parsi spinning master cannot go looking out for men. I do not see why they should not do it through a central office. The labourers are going about to these jobbers and asking for jobs.

A. Does it mean that in the morning before the starting time all the mill-hands who are loitering about should collect near a recruiting office and apply for temporary jobs and then they are to be distributed over all the mills where hands are required ?

Q. I have not worked out the whole scheme in detail. I am merely speaking of organised recruitment, of a system which would give the man a chance to deal with the mill as a unit and not with individuals.

A. That is not feasible. You have got to engage the men at the starting time. If there was a recruiting agency before which all men collected, it would be impossible.

President.—Do I understand that, supposing that there are not enough men at the gate to fill up the gaps then you send the jobbers to get men ? Does the jobber leave his work for half a day or so to go and collect people ?

A. *Mr. Mody.*—In times of acute scarcity, he may have to go out to find men.

Mr. Subba Rao.—Isn't it a wasteful system to send out your skilled workmen like that ?

A. He may have to be sent out sometimes during working hours, but that happens very seldom.

President.—That seems to me to knock the bottom entirely out of your argument for the simple reason that it would be better if all these people were collected at some central place to which you could telephone and tell them that you have 20 vacancies and you want 20 men.

A. It will come to this that probably when the 20 men have come to you, you would not require any of them.

Q. Why ?

A. Your jobber might be in a position to say whether he is the right party or not....

A. *Mr. Wadia.*—If we had a recruiting office to send all these people from and each mill were telephoning, it would be somewhat difficult to send them out and despatch them to the mills. The initial difficulty is in the recruiting station—the practical difficulty.

President.—I do not deny that for a moment.

Mr. Subba Rao.—Contrast the two systems. You picture the one where you have got office telephones ringing and all these things. Take the other picture—your jobber rushing from chawl to chawl and going round the streets. For 20 mills there will be 20 jobbers wandering about. Is that less wasteful and less troublesome than having a central office ?

A. I think the practical difficulties of your proposal would defeat it.

Q. Every new scheme is difficult to work.

A. There is the practical difficulty. We have 90 mills in Bombay and if each wanted 50 men in a day you would want about 4,500 men. You cannot get them out of your recruiting office. You have got to sort them out, and you have to send them to the different mills. The time taken to send them from the recruiting-office to the mills should be considered. In practice here there are a certain number of men waiting outside and there are jobbers to recruit them.

Q. In other words, you get every morning in every mill a sort of cess-pool of people loitering for employment ?

A. Yes.

Q. Isn't it bad for the community to have people hanging about like that ?

A. *Mr. Geddis.*—It is because absenteeism is so big.

Q. That is the effect and not the cause.

President.—What I should like to know is how many vacancies Mr. Wadia has to fill up in his own mills every morning ?

A. *Mr. Wadia.*—Very few.

Q. Your system appears to me to get rid of the practical difficulties. If you have a definite percentage of additional people worked out on the proportion of absenteeism that reduces your casual labour to the absolute minimum. As far as I can understand it, your system is the most practical one. But I gather it is not commonly adopted.

A. *Mr. Geddis.*—It is a question of cheapness whether to adopt that system or not. Undoubtedly Mr. Wadia has to spend more money to keep his labour like that and it is for him to decide. And for other mills they must decide.

Q. One of the reasons why we are here is to try and endeavour to work out some means by which you can get an efficient labour force.

Mr. Subba Rao.—We are not speaking of getting labour only for emergencies, but recruitment generally, not only for absenteeism but the employment of labour from time to time.

A. *Mr. Mody.*—I think it will come through education.

Q. Education and improved organisation.

A. *Mr. Maloney.*—I think that the Labour offices in England are not to supply temporary absenteeism but to supply labour for permanent employment.

Q. Yes, I was speaking of recruitment generally. I was not speaking of a temporary remedy.

A. As regards the daily casual absenteeism a Labour Bureau would be of no help.

Mr. Majmudar.—Have any mills tried the system of a special jobber to get labour ?

A. *Mr. Mody.*—No.

Q. That system prevails in some mofussil places.

A. One special man for recruiting labour ?

Q. Yes.

A. That does not exist here.

A. *Mr. Wadia.*—We have a complaint officer. Any labourer wanting to address the manager about any injustice or any fancied injustice goes to this officer and the complaint officer is bound to represent it to the manager and we find that a good deal of grousing on the part of the hands is settled like that. As far as we can we try to redress their grievances. That is the only recruiting officer.

Q. He is only a complaint recorder.

A. If he is paid less or more or if he wants to go away or for any kind of thing if he likes to say anything the complaint officer is bound to forward it.

Q. No man who has been obliged to pay money to a jobber for getting employment, will put in a complaint to him.

A. *Mr Saklatwala.*—Very often Mr. Joshi or other labour leaders approached us and brought these to our notice and we have tried our best to find out what particular jobber was responsible, and we never had a direct complaint. We know the system

prevails and it is very difficult to find out to what extent it prevails. The men will never come forward and say.

A. *Mr. Wadia.*—We readily admit that there is bribery. We do our best to catch it and we have not been very successful.

A. *Mr. Mody.*—I should like to say however that the workman now-a-days is not so helpless in the hands of the jobber that he could be tyrannised or victimised or defrauded except to a limited extent. The workman is not the pliable and helpless material that he was. Though there may be abuses, these abuses are fast dying out.

Raja Hari Kishan Kaul.—In your case, your necessity for using the jobber for recruitment arises in times of scarcity of labour. Could not the chances of abuse be minimised by not using him at other times and getting the head of the department to recruit the men?

A. He is not recruiting with the same liberty as in times of scarcity. An inefficient man cannot be passed through by a jobber merely because the jobber has got hold of him.

Q. If you use the jobber only when labour is scarce.....

A. In that case we will have to have somebody else to recruit the men.

Q. I do not mean to say that the jobber should be dispensed with. The jobber supervises the work. Do not use him for the purpose of recruitment.

A. *Mr. Mody.*—Then the jobber loses touch as a recruiting officer with the workmen and in times of scarcity he will be of no earthly use for recruiting labour.

Q. He would be in touch, only he would not be recommending them.

A. If a jobber was not in a position to find employment for workmen in normal times, in times of scarcity he will be of very little use indeed.

Q. That is done in the upcountry centres. Some supervisors are sent out to labour centres to recruit men and bring them and yet ordinarily every day they are not intermediaries for employment.

A. *Mr. Geddis.*—I think the conditions are different and the systems must remain different too. Conditions in a city like Bombay, conditions of recruiting labour are different to those of upcountry mills.

President.—One of the points raised before us by the Labour Union and one in regard to which there is a considerable amount of feeling was not the question of fines particularly, but the question of the indirect fines which are levied by asking the workmen to take over spoilt cloth and sell it themselves.

A. We have a statement almost complete showing the Bombay figures.

Q. We have got a certain number of returns ourselves. I do not know whether you wish any of these figures kept confidential or not, or any references made to individual mills in this connection? I will content myself by saying that two of the Bombay mills do not adopt this system apparently of making deductions for spoilt cloth, and for other mills the figures for the year vary from about Rs. 700 to Rs. 7,000.

A. In Bombay?

Q. Yes.

A. *Mr. Mody.*—Is it your general impression that the fines are excessive, from these figures?

Q. I think Rs. 7,000 a year is a fairly extensive deduction to make for spoilt cloth. It is not so much a question of the amount that I am thinking of but the fact that it is undoubtedly felt as a real grievance and I would like to know whether it would not be possible from the point of view of the mills to remove it. It does seem an unsatisfactory system.

A. What is to be done?

Q. Is it worth while for the sake of 2, 3 or 5 thousand rupees a year to inflict a punishment in this way?

A. *Mr. Mody.*—How are you to get an efficient weaver if there is no punishment meted out in the way of fines for bad work?

A. *Mr. Geddis.*—It is only for bad work.

Q. I quite agree that the mill has got a reputation to keep up and disciplinary action may be necessary, but I do think that a much better way is to inflict a small fine and if the man commits a fault more than once, to get rid of him, instead of making him take the spoilt cloth.

A. *Mr. Mody.*—This figure does not represent the figure of a particular man being fined over and over again. If we find a weaver doing bad work we do not continue to keep him. We do not fine and keep him. We send him away.

Q. Fine him to a certain extent and then get rid of him but do not inflict your punishment in this way which undoubtedly from the evidence before us is a sore which rankles with labour more than any other form of punishment.

A. But when you consider that the loss to the mill itself is a great deal more considerable.....

Mr. Majmudar.—He is referring to the case where cloth is given over to the weavers and not to the case of fines.

A. Even as regards that every mill has got a rule as to the quantity of cloth that can be thrown on the hands of a weaver in any one month or any one day and if you take the case of individual weavers you will find that the sum does not amount to anything considerable.

President.—Then is it worth while doing it at all? Some of the mills apparently get on without it. Two of the mills in this list do not have this system at all. One of the mills, if not both of them, has a good reputation for its products.

A. I cannot pretend to say anything about these exceptional mills. But generally the mills which insist upon turning out a good quality of cloth must have some power to inflict fines for bad work.

Q. I do not object to fines for bad work. I have already explained that. That I believe is under enquiry by the Government of India in any case, but personally I agree that some disciplinary measure may be necessary. But this is undoubtedly a very sore point with your labour and therefore is it worth while keeping this form of punishment for the sake of a few thousand rupees a year?

A. *Mr. Wadia.*—Is it a sore point, Sir, with labour or with labour leaders? The two things are very different. And the argument may be used with all due respect that if a man is fined to the tune of a piece of cloth he has spoilt and he feels the hardship of the cloth being thrown on his head so acutely why does he stay in that mill. The remedy is in his own hands. He can at any moment throw up his job and go to another mill. Here I see that my own mill is one of the worst offenders in regard to spoilt cloth. It looks rather serious because it happens to be one of the largest if not the largest weaving mill in Bombay. But the average amount of fines deducted for spoilt cloth per loom comes to Rs. 2-7-3 per annum. You cannot say that it is a very large sum to a man who earns something like Rs. 600.

Q. Personally I would not object to your fining fairly extensively but it is the form of punishment that I do think exception can be taken to, making the man sell the cloth himself.

A. Well, fining does not have any effect on them.

A. *Mr. Mody.*—Supposing it is done only in those cases where the piece contained many faults and in the interests of discipline it is necessary to throw a portion on to the weaver, how does it help the weaver if instead of this he is fined Rs. 10 or Rs. 5.

Q. He has not the trouble of selling the cloth and it may be of no earthly use to him.

A. If it is a fine of Rs. 5 it is gone from him. It is a piece of cloth he probably will utilise it.

Mr. Subba Rao.—In this list I find a cloth worth Rs. 17.

A. It is rather a very exceptional case you are referring to.

President.—The next two points in regard to labour are really rather technical point. Mr. Majmudar wishes to ask questions in regard to the Northrop looms and Universal Winders.

Mr. Majmudar.—We have sent you a statement showing the expenditure that will have to be incurred every month in case Northrop looms were installed in place of plain looms. I believe you have studied that and I would invite your criticism on that.

A. Of your own statement?

Q. Yes, of my own statement.

A. *Mr. Wadia.*—To start with, you say 17 weavers will attend to 100 looms—six looms to a weaver. Personally I do not think that any weaver however capable in Bombay will be able to attend to 6 looms.

President.—They can do it in Madras, Mr. Wadia, where the ordinary weaver only attends to one loom. I do not think 6 would be an over-estimate for Bombay.

A. In our case we have one man attending to four looms, Northrop looms. We had to get those weavers from Madras.

Mr. Majmudar.—This is the establishment in Madras:

Northrop looms	100
Weaver	17
Magazine fillers	8
Helpers	4

Oilers	..	..	..	4
Piece carrier	..	..	..	1
Empty bobbin carrier		..	..	1

Besides helpers to weavers there are other people also, piece carrier, empty bobbin carrier, etc.; so it is possible for the weaver to mind six looms. The work of the weaver in this case is to attend to the looms only and do nothing else.

A. I should have said that that was inadequate provision for 100 looms. Seventeen weavers *plus* four magazine fillers, *i.e.*, 21 men according to you. We have never been able to get a weaver to attend to four looms properly.

Q. In the case of automatic looms ?

A. I am talking of Northrop looms.

Q. Taking into account the helpers and other people it practically works out to one man for three looms.

A. You hardly call a bobbin carrier a helper, whether you use Northrop looms or any other kind. You hardly call a weft carrier a helper because he is required on every class of looms. And I do not see the depreciation and interest and extra expert supervision which varies from 150 to 500 rupees. I do not know which figure you take, Rs. 500, Rs. 300 or Rs. 150.

Q. The calculations are worked on three bases. It was maintained at Madras that in the initial stages when labour is very inefficient and when jobbers are not very efficient, it would be necessary to have very good expert supervision. Therefore in the initial stages it may cost somewhere between Rs. 300 and Rs. 500. And subsequently it may become possible to reduce it to Rs. 150 to Rs. 300. It is with that idea that the different figures are put down.

A. May I enquire whether in these looms the weft or the filling is spun on ring frames or whether it is pirn wound.

Q. It is pirn wound.

A. I see no extra charge for pirn winding here.

Q. That is not put down nor is the probable charge due to a better quality of warp also. First of all I have been trying to find out merely from the point of view of wages cost whether it would pay to instal Northrop looms; whether it would be worth while going in for Northrop looms or not.

A. I told you exactly what pirn filling comes to. It comes to ½rd of an anna per lb.

Q. Which count ?

A. Average 20s.

President.—I do not know whether you noticed the sum total, which shows that Northrop looms are more expensive than the plain looms.

A. In this statement 100 looms cost Rs. 3,875 per month I take it. And they produce two-thirds of these one hundred plain ones. Your production is two-thirds. The Northrop looms are never run at the same speed as plain looms.

Mr. Majmudar.—But their efficiency is better.

A. I do not quite understand what you mean by efficiency.

Q. In Madras, although there is one loom to a weaver, the production that they get on a plain loom is the same as the production that they get on a Northrop loom, in spite of the fact that the Northrop looms run slower than the ordinary loom.

A. It is not our experience, nor is it possible on the face of it to run a loom at 66 per cent. of the speed of the other one and get the same production.

A. *Mr. Saklatwala.*—If you say that their production from the ordinary loom is just the same as the production from Northrop looms it shows that the production for ordinary looms must be low and perhaps that is the reason why they go in for Northrop looms. If their efficiency on the ordinary looms is low then they have to go in for Northrop looms. As in Bombay our efficiency for ordinary looms is better there is no necessity for us in Bombay, to charge over to automatic looms. And another thing in Bombay is, that we make too many varieties. Binny's have only a few.

A. *Mr. Geddis.*—What efficiency are Binny's getting from those looms ?

Q. I do not think they have given that figure.

President.—Messrs. Binny & Co., have not applied for protection and therefore they have not supplied us with all these figures.

A. *Mr. Mody.*—Are Binny's quite satisfied with the Northrop looms ?

Mr. Majmudar.—The production on both the ordinary and Northrop looms is about the same per loom per day in Madras. That is our information.

A. *Mr. Maloney.*—As a matter of fact, I had a great deal of experience in Northrop looms in England and the production of Northrop looms is less than that of an ordinary

loom. The efficiency in Bombay is 80 per cent. on Lancashire looms and the speed is nearly 1½ times greater than the speed of Northrop looms. The highest efficiency they could possibly hope for from Northrop looms is only 90 per cent. Obviously therefore production of Northrop looms for loom must be less than for Lancashire looms.

Q. So you do not consider Northrop looms to be a paying proposition for Bombay ?

A. *Mr. Wadia.*—We do not, that is our practical experience.

Q. The cloth that is produced on Northrop looms is distinctly better than the cloth produced on plain looms.

A. *Mr. Geddis.*—The yarn has got to be better in the first place ; otherwise it would not weave.

A. *Mr. Wadia.*—You cannot weave headings, you cannot weave dhoties or any short length pieces without very considerable trouble. There are many advantages. If you have a straightforward piece of cloth which is required to be perfect and free from the ordinary flaws which are accepted by the market, the Northrop loom as an instrument of weaving is a very good one. But if the market or your customers do not look to the perfection of the cloth but to the cheapness of it, then the Northrop loom does not stand a chance. There are one or two other reasons why the Northrop loom is so expensive. It requires extra floor space and you want an extra building. You want extra buildings for housing your pirn winders and you have to pay for the pirn winders.

President.—Is the pirn the same as the Universal winder ?

A. Yes. Then, there is the extra cost of the better quality of yarn. The Northrop loom requires *ceteris paribus* a better quality of warp than ordinary looms. Then in the Northrop looms at certain periods the weft has to be stopped and a certain amount of waste remains on the pirn which goes as waste whereas in the Lancashire loom ordinarily it is entirely wound off.

President.—The point of Mr. Majmudar's statement is to show that the Northrop looms had not been an economical proposition in Bombay. We only want to know whether you accept his figures more or less.

A. *Mr. Mody.*—We entirely accept the conclusions.

A. *Mr. Geddis.*—We accept the conclusions.

Q. What we were told in Madras was that they could get improved results from the Northrop looms. They started experimenting ten years ago and presumably the fact that such a large proportion of the looms in both the Buckingham and Carnatic mills are Northrop looms seems to show that they have been satisfied with the results.

A. *Mr. Mody.*—If they were weaving 150 varieties, they would not have retained them.

Q. They are weaving a large number of varieties. We were very much struck by the number of varieties of coloured goods. They seem to have every pattern going—of checks and striped goods.

A. *Mr. Saklatwala.*—But it is not different weaving, only different colours. The weaving is the same.

A. *Mr. Maloney.*—I do not see how they can make checks on Northrop looms.

Mr. Majmudar.—The President means striped cloth and trouserings. There is only one question which I want to ask you. You have given us four pies per lb. as the cost of winding on the pirn winding machine. What is the increase of production on the loom due to the use of that ?

A. *Mr. Wadia.*—You are talking of Northrop looms. I am talking of the use of pirn wound bobbins on the ordinary loom against the usual weaving on ring bobbins. We found absolutely no increase in the loom production and we find that it costs us more. On this four pies average we get no return whatsoever. A great deal of the four pies is taken up. A great deal of transportation has to be employed and no practical results are arrived at. We had no less than 116 of these pirn winders and I think I was one of the largest users in that way,—winding of mule yarn and fitting it for the looms. Of course as long as war conditions lasted and profits were big and machinery was not difficult to obtain one did not bother about it. But to-day when every pie has to be carefully considered then we came to the conclusion that it was better and cheaper to instal new ring frames entirely and scrap the pirn winders on the score of economy ; and we have done so.

Q. We were told at some places that there is an increase of production of about 5 per cent. by the use of Universal winders.

A. I should say that 5 per cent. is the highest figure. But consider this point : if you use the winders you must put in rather more twist in your weft than you would if you spin direct on to the weft cop. Moreover these winders are very wasteful. For instance, our waste comes to 5 to 6 per cent. from re-winding.

Q. That is because you are re-winding mule cops. Suppose you are winding from the ring bobbins ?

A. Our experience shows that there is no benefit from re-winding from ring bobbins. If ring bobbins are properly made and properly shaped, you cannot get more than 33 per cent. more weft on to the rewound pirn, and for the sake of this 33 per cent. more it does not pay us to incur an additional expenditure of four pies to rewind the stuff.

Q. There is also this advantage which is that during the process of re-winding weak yarn is detected and the yarn that is wound on the bobbins practically runs out at a stretch on the loom without stoppages.

A. That is a claim made. I do not think that I agree with it.

Q. But that is why, they say, that the increase in production comes to about 5 per cent. That is what certain mills have mentioned.

A. I think they must have very bad spinning if they did that. We have very little trouble with our ring bobbins, when they are once put in the shuttle they wind straight-off. In addition we find that greater waste is made by these pirn winders, because the nose of the bobbin is smaller in diameter than the nose of the ordinary bobbin and therefore they are apt to slip off.

Q. Is that the experience of all ?

A. I do not know what anybody else has done. I was the first one to introduce them and this is what I found.

A. *Mr. Saklatwala.*—We have also got them, Sir, and I support Mr. Wadia. I do not think there is an advantage of 5 per cent. for the simple reason that all that a weaver can save is the saving of time when changing pirns in the loom. It does not take a long time after all.

Q. The stoppage due to breakages is also reduced.

A. Yes. That is the only advantage we find. But at present it does not come to more than half per cent. in some cases.

Q. The production does not increase more than half per cent ?

A. Yes. And we do not have so much waste in weft. On the other hand we have more waste in winding.

Mr. Subba Rao.—I want to get some information on this point if possible. We heard in Ahmedabad that they give wages for Sundays also. They pay wages for the entire month including holidays. Is that your system ? They pay by the hapta as they call it which includes even Sundays. Do you pay for the whole time or only for the working days in Bombay ?

A. *Mr. Mody.*—The man who has been fixed on monthly wage is paid if all the working days are put in.

President.—Are your wages in Bombay paid by the month or by the day ?

A. *Mr. Wadia.*—By the month to the weavers.

Q. What we mean is that if for the spinner the rate is 8 annas, do you pay him Rs. 12-8-0 a month or Rs. 15 ? In Ahmedabad they would pay him Rs. 15.

A. *Mr. Mody.*—But the wages in Bombay mills are not based at a certain amount per day. They are based on a certain amount per month and that full amount is paid if the 25 or 26 working days in the month, as may be the case, are put in.

Q. That is the point we are asking. I should like to make it perfectly clear. Supposing the wages of a spinner are Rs. 30 a month, and he is absent one day, do you deduct Re. 1 from his pay or do you deduct 1/25th of Rs. 30.

A. 1/25th or 1/26 as the case may be.

Mr. Subba Rao.—How many holidays do you allow in the year ?

A. We reckon about 305 working days in a year.

Q. You only allow Sundays ?

A. *Mr. Geddis.*—We can submit a holiday list.

President.—How many days do you allow other than Sundays ? Do you allow any other holiday other than the one day a week ?

A. *Mr. Mody.*—Yes. Otherwise we should be left only with 52 Sundays. As I say there are a few extra days. For instance, there are Holi and Divali which are not worked off by subsequent days. The total which would otherwise come to 313 working days now comes to 305, which means that we allow some extra holidays.

Mr. Subba Rao.—You allow about 8 days ?

A. Yes ; about 8.

(d) Overhead charges

President.—The next section is overhead charges. I do not think we are quite clear about the water-tax. You say water-tax is now Re. 1 per 1,000 gallons. How does that compare with the tax for private purposes ?

A. It is very heavy on the mill industry if you compare the amount a mill has to pay against the payments made on a valuation basis.

Q. How does it compare with the tax levied on the private consumer ?

A. It is much heavier than on the private consumer.

Q. By valuation ?

A. By valuation. Even by measurement it is a great deal more.

Q. If you use 1,000 gallons you are paying Re. 1 as a mill. If you use a 1,000 gallon at your house what do you pay for it ?

A. *Mr. Wadia.*—I think it is annas 12 for the house and annas 8 for the garden when there is a meter connection.

Q. Do I understand that you actually pay more per 1,000 gallons for the use of the water in mills more than what you pay as a private individual ?

A. Yes.

A. *Mr. Mody.*—I will give exact figures to-morrow.

Q. Should it not be the other way ?

A. It should be, but it is this way.

Q. Is it not usual in most countries for a large consumer to get a considerable rebate for the use of the water ?

A. *Mr. Wadia.*—It is perfectly true. In Lancashire it is 2*d.* or 3*d.* per 1,000 gallons for mills or large works. In Ahmedabad I understand that it is only 6 annas or 8 annas. In Poona it is 8 annas. Even in India every other city seems to have to pay less.

A. *Mr. Mody.*—I will give you the exact figures to-morrow. But in the meantime I can tell you that I worked out the figures a couple of years back and found that while we had been paying 1/7th of the total revenue derived by the Municipality, we were consuming only 1/17th of the total water supply.

Q. I must confess it is surprising to me that you are paying more for your water than the private consumer who uses far less. Have you taken this question up with the Municipality ?

A. Yes. The Association has taken it up and as their representative on the Corporation I have taken it up. Two years ago I made a determined attempt to get the Corporation to reduce the rate or to retain it at the figure of 12 annas which was the old rate from which they raised it to Re. 1. But the tendency of the Corporation as of other public bodies, not excluding the Government of India, is to regard the mill industry as fair game.

Q. In what way has the industry been mulcted by the Government of India ?

A. The Government of India has no other use for the industry except for taxing it. That is the only use which the Government has found for us—getting money out of us.

Q. That is a little beside the point. But what I wish to know is, has the Municipality put forward a reasoned statement of their grounds for imposing a higher water tax on you than on a private consumer ?

A. No. They think that the private consumer ought to be taxed as little as possible and that industries, large bodies like the Port Trust and Railways, and others ought to be made to pay more because they could stand it and according to the Municipality the private consumer could not. However, I may tell you that I am going to take up this matter again this year.

Q. If you can let us have the rates paid by the private consumer, it will be useful.

A. Yes ; I will give you all the details.

Q. There is one small question in regard to depreciation. Is your depreciation fund ever used for current repairs ?

A. *Mr. Geddis.*—In the case of our mills current repairs are met out of revenue.

Q. That is the correct procedure. Is that always done ?

A. I should think it is largely so.

A. *Mr. Mody.*—Most of the balance sheets show that that these items are debited to current account.

A. *Mr. Wadia.*—That is for the sake of income-tax. The idea of income-tax is that you keep up the building as it was originally and you get a percentage off to correspond with the antiquation, if I may use the word, year by year. The income-tax people allow you to debit repairs to machinery and building. That is why I suppose that we really pay them out of our current account.

Q. You get an allowance for current repairs ?
A. Running repairs.

Q. In addition to depreciation ?
A. Yes.

Q. Therefore there is no necessity to draw on the depreciation fund for it ?
A. *Mr. Geddis.*—The small repairs are debited to revenue account.

Q. Another point in regard to depreciation is whether it would be wise or desirable to encourage mills to scrap their machinery a little earlier than they might otherwise do and keep themselves up-to-date by increasing the allowances for income-tax purposes from 5 to 10 per cent. ? Do you think that would have any effect at all ? As we know in these high speed days, 20 years is a long time for the life of a machine.
A. *Mr. Wadia.*—At the present day we find it very difficult to find the 5 per cent. necessary for depreciation. I do not know what we should do if it were 10 per cent.

Q. I do not say that you can do it now.
A. Once we have money we depreciate more. But at the present moment we find it extremely difficult to find money to depreciate our present machinery.

Q. I suppose it really would not have made any difference if there had been 10 per cent. allowance in the boom period.
A. If we were making profits, it might be a very good thing.
Raja Hari Kishan Kaul.—We have been told that the retailer makes enormous profits, something like 50 to 75 per cent. in Bombay and 40 per cent. outside. What are your views on that point ?
A. *Mr. Mody.*—I think it is mere moonshine.
President.—The impression was given by the Director of Industries, Bombay, who said that he was paying Rs. 3-8-0 for a pair of chaddars of 2 pounds while the retailer must have got them at Rs. 2.
A. If it were so before, it is not the case now. In these days everything is cut so very fine that it is impossible to make anything like that profit.
Raja Hari Kishan Kaul.—He was relating his experience of only a few days ago.
A. It may be exceptional. It is impossible that the retailer can make anything like 50 per cent. profit.

Q. In case the middlemen's profit was so great I want to know whether it would not pay the mills to have their own shops.
A. *Mr. Wadia.*—We have some experience of having our shops. We were selling our own goods, retail and wholesale. But now we have been compelled from yesterday to start an agent on commission and do away with the shops.

Q. You find it is more economical ?
A. We hope it will be so. With the mill keeping its own shop, the customer is forced to pay by a due date. Otherwise the mill cannot carry and finance him. But if the customer finds an agent, the agent finances the buyer to a very large extent and he takes risks which a mill could not do and therefore the buyers go more readily to the agent than they go to the mill. After ten years' experience we found this out and we absolutely came to the conclusion that our shops would have to go and an agent would have to be appointed to carry on the work of selling our products.

Q. Do you not find that you can sell your products much cheaper at your own shop in the market than the retailers do ?
A. We have not found it so.

Q. If there is a difference then you can sell your goods more readily in your retail shop—if the difference is considerable.
A. *Mr. Mody.*—But it is not.
A. *Mr. Wadia.*—After ten years this is the practical result. We have tried both ways and at last we have been driven to this. We have been hoping against hope that we should not have to appoint this agent. But at last we have been driven to the conclusion that an agent is absolutely necessary who can finance the dealers.

Q. I was surprised that the margin was so great.
Mr Subba Rao.—It has been used as an argument for protection—the retailer can make so much profit, so why worry about the consumer paying one anna per pound.
A. *Mr. Mody.*—We do not want to use it as an argument.

Q. May I ask you about the sales generally, whether the Millowners' Association is making any efforts to collect and supply information to the different mills as to the demands of several markets, or is it left to the mills themselves to find out ?
A. It is left to the mills. But if we receive any enquiries either from Government or from outside firms in other countries then we pass them on to the members of the

Association. But so far as the internal demand is concerned every mill is supposed to be in touch with the consuming centres and as a matter of fact is actually in touch,

Q. You do not collect anything like information for them—publish a sort of trade circular ?

A. *Mr. Geddis.*—No. That is left to the mills' own initiative.

Q. But is not that a desirable development in view of the increasing competition in the markets both at home and abroad ?—For example, in order to have some recourse to some kind of co-operative action, to know the nature of competition in different markets ?

President.—I had a question on that to put later on. I may as well ask it now. It was whether it would not pay the Millowners' Association to have a technical man to go round and visit the different markets in India and examine their requirements and report the extent to which goods from other countries come in ?

A. So many of us have agents upcountry in the markets looking after this already.

A. *Mr. Mody.*—We keep in touch with everything that passes in the consuming centres through either commission agents or through our own shops or through the upcountry dealers who are always to be found in Bombay and who come from all parts of the country.

Mr. Subba Rao.—But this information seems to be confined to the mills concerned. There is nothing like a common organisation where information is available to the whole trade. Nothing corresponding to trade journals for example, trade circulars which are sent round in other parts of the world. Is not that a desirable development ? Not the circulation of any confidential information, but something about common developments that are of interest to everybody, for example, which markets abroad could absorb which kind of cotton goods and so on.

A. *Mr. Maloney.*—That is done.

A. *Mr. Mody.*—We keep our members in touch by circulars and other things. I thought you were referring to internal demand.

Q. I was speaking both of internal and external markets.

A. Yes. By means of circulars and trade returns we keep in touch with movements outside India as an Association.

Q. Are these circulars published ?

A. Yes.

Q. But there is no such information available for any developments in the country itself except what you get from your own agents ?

A. And through our dealers.

(*f*) *Transport*

President.—I do not think there is any further question about the railway freights, except to say that such information as we have obtained shows that Bombay is certainly better off in that respect than upcountry mills.

Section III

Suggestions as to remedial measures

(*a*) *Suggestions put forward by the Bombay Millowners' Associations*

President.—We now come to the last section, the remedial measures proposed by the Bombay Millowners' Association.

A. *Mr. Mody.*—As regards the last question, may I read out a short note ? The Association at present supplies information as to the changes in the Customs tariff on cotton yarn and piece-goods in all countries to which Indian goods are exported, and summaries of the annual sea borne trade returns of these countries which maintain such records. These summaries have been issued for Kenya, Malaya, Persia and Australia during recent months and give a fair indication as to the possibilities of these markets, the character of the demand and the competition from other countries.

Mr. Subba Rao.—Why do you limit them to these markets ?

A. *Mr. Maloney.*—We do not limit them at all but we are handicapped by the fact that we do not get the sea borne trade returns of all countries in spite of an infinite number of applications.

Q. Portuguese East Africa is a big market.

A. We have not much difficulty in Malaya. Countries under British rule supply the best information.

Q. Mesopotamia is under British rule.
A. Yes; we expect to get them shortly from Iraq. We have been promised them.

Q. Portuguese East Africa ?
A. Nothing. For South Africa, yes.

Q. Portuguese East Africa imports the second largest quantity of grey goods from India.
A. That may be so.
President.—In regard to the proposal that the customs duty on machinery should be abolished, it has been represented to us that it might have a prejudicial effect on certain industries in India such as those producing magnesium chloride, tallow and bobbins. Have you any comments to offer on that ?
A. I might say that when the magnesium chloride industry made an application for protection we said that was a special case. And that we did not mind if they were given between 40 and 50 per cent. protection. The increase in the cost of production was very small.

Q. Did they get it ?
A. They got nothing. The industry was evidently considered not worth retaining.
A. *Mr Mody.*—In the present stage of our development, I do not think indigenous industries are going to be hit very hard. If they are, then there would be a case for individual consideration. Otherwise what would happen would be that you might consider it very desirable to remove this impost on the industry and you might not do it for the simple reason that there are two or three struggling factories which are trying to supplant imported articles.
Mr. Subba Rao.—What would happen to them ?
A. They would get protection. What is the Tariff Board for ?

Q. To run about and seek all those who might want protection ?
A. If a good case was made out, yes.

Q. You mean you would wipe off all import duties and restore those in the case of goods that required protection ?
A. We would individually consider all those cases in which it is found that there is an indigenous industry likely to do well, and if it is handicapped owing to foreign competition, help it. We certainly are for indigenous industries thriving.

Q. The present protection is neither here nor there. While it hampers you it does not help the industry to any extent ?
A. Yes, that is the point.
President.—Have you any views on the application for protection for hosiery which has been made to us ?
A. *Mr. Geddis.*—We have a note in that connection. In 1921 at the height of the boom the Association in their evidence before the Fiscal Commission complained that the hosiery trade required protection, and Mr. Petit considered that 25 per cent. protection was necessary in order to help the trade. At that time several mills in Bombay had hosiery departments but as far as I am aware these have been closed down now owing to intense Japanese competition. If the industry is to be built up, it will need a greater amount of protection than in 1921. That is all the comment we have to make.

Q. The question with which we are concerned is what special technicalities there are about hosiery which makes it more desirable as a subject for protection than any other branch of the industry ? Can you say that hosiery is any more technical than spinning fine counts or manufacturing certain special lines of coloured, dyed and printed goods ?
A. We could not say, Sir.
Mr. Subba Rao.—In 1921 did you say you wanted protection, that your representative demanded protection ?
A. Yes, before the Fiscal Commission.

Q. But there is some contradiction between the memorandum and the evidence given. In the memorandum it is said that an enquiry into the manufacture of hosiery may be instituted immediately and adequate protection in the shape of heavy duties on imported articles may be given, whereas in answer to a question the witness said that "for the last three or four years the hosiery department has been getting on very well. I do not think there is any competition now."
A. *Mr. Maloney.*—I have read through the whole of the evidence. It is a fact that the case for protection of the hosiery industry was supported by the Bombay Millowners and it is also a fact that since 1921 the imports of Japanese hosiery have increased tremendously. There is no doubt about that.
A. I am speaking of the demand made in 1921.

President.—We have further had an application from certain mills in Ahmedabad for the remission of the 5 per cent. duty on imports of yarn over 40s counts. Have you any views on that ?

A. *Mr. Wadia.*—We should be opposed to the abolition of the duty on yarn.

Q. Over 40s ? There are certain mills in Ahmedabad which weave fine counts, for which they use imported yarn of counts over 40s and they have put in a special application for the remission of the 5 per cent. duty on these counts.

A. *Mr. Mody.*—We are not in favour of the remission.

Q. What difference would the remission make ? Do you oppose it merely on principle ? Do you consider it would have any appreciable effect ?

A. We do so for one reason among others that there are certain mills in Bombay, Ahmedabad and Sholapur which manufacture fine counts, and it is in their interest to go on doing so.

A. *Mr. Wadia.*—Obviously the answer is, let these mills who wish the duty off buy country made yarn. They can do it.

Q. The reply is that the country made yarn does not answer their purpose because the quality is not so good.

A. *Mr. Mody.*—Mills are making fine counts from imported cotton and they would not naturally like the duty off. So far as the mills which are not making 40s are concerned I do not think they would strenuously oppose it.

Mr. Subba Rao.—If you increase the duty on lower counts, the development you spoke of yesterday, of a transition from the lower to the higher will not thereby be encouraged.

A. I do not follow.

Q. If you put a higher duty on lower counts that will keep the position where it is now.

A. We have not expressed any special opinion.

President.—Have you decided whether you would prefer Trade Commissioners ? Will you give us any further views on that point?

A. *Mr. Mody.*—As a general proposition it would be of advantage to have Trade Commissioners in various centres of exports who could keep us in touch with the markets.

Q. I pointed out on the last occasion that if we were to suggest this and the Government of India were to accept our recommendation they naturally would not appoint a large number in the first instance. They would appoint a few to see how they work and what use is made of them, and it was agreed that you should let us know the places in which you consider they should first be appointed.

A. *Mr. Geddis.*—We have not gone into that. I did not know that it had got to that stage.

Q. You said you would like to consider exactly where they would be most useful.

A. *Mr. Mody.*—We will let you have that statement.

Q. If you let us have your opinion on that it would be helpful.

Mr. Subba Rao.—About these Trade Commissioners, there are two systems as you might know. First, there is the Trade Commissioner who deals practically with the entire trade of the country and supplies information to the different trades as they might require. Then again each trade might send out its own agent subsidised by the State. Which of these two do you prefer ?

A. We would naturally prefer a man looking after our own interest specially.

Q. I want to know which would help you better ?

A. *Mr. Geddis.*—On the face of it I agree with Mr. Mody that it seems it will be better to have a man, a whole time man in our own interest.

Q. The Trade Commissioner deals with a number of things and he is not under your control, whereas your agent will be. And also there is a stimulus on the other side to spend some of your own money. You get a combination of initiative and help from above. I wanted to know which you would prefer—to have your own agent subsidised by the State or depend upon a Trade Commissioner who would look after not the interest of one trade only but the country's entire export trade. There is a good deal to be said for the other side also. I want to know your views.

A. *Mr. Geddis.*—As an Association we cannot exactly give a reply without considering it. If you want a personal opinion, I think the whole-time man would be better.

Q. You cannot give us any idea as to what centres you would like to have these agents in. But let me ask a general question. Would you place them in countries where your trade is already well developed or where the trade requires to be developed ? Mesopotamia is buying more than thirty million yards of your coloured and grey goods whereas

another country Italy is buying very little. Would you send your agent to a place like Mesopotamia to consolidate your trade there or would you send him to Italy ?

A. It would depend on what business we think he could develop. We might have a considerable business in Mesopotamia in which case we might send him to Italy.

Q. It would not depend on the actual trade but more on potentialities.

A. I should imagine so.

A. *Mr. Mody.*—My view is that we would want in any case a Trade Commissioner to look after our interests in the markets where we have already penetrated, not only for future development, but so that we may not be ousted.

Q. I should have thought myself that that was the more obvious reply.

A. Also where we find potentialities for good markets we would like to have a Trade Commissioner or two appointed in newly opened places. But more particularly we would like to have our existing markets developed and preserved.

Q. Where already you have a footing you would like to make sure ? For example, you find as regards your yarn, the best customers are the Strait Settlements, Aden and Dependencies, Persia.....

A. *Mr. Mody.*—In Persia we would like to have a Trade Commissioner. It is a market with potentialities.

Q. For grey and coloured goods ; and there is Mesopotamia and Straits Settlements. So broadly speaking you would like to send your agents to markets where you have already an appreciable command which you would like to develop further.

A. Which we would like to retain and develop.

(b) Other suggestions

President.—We have come to the other suggestions. Your Association, I notice, has not put forward any proposals for any Government assistance other than protection. Do you consider that there is no possibility of help in any direction other than protection.

A. Subsidised freights.

Q. My point, Mr. Mody is that if protection were recommended by us or were considered by the Legislature, it would doubtless be held that the industry should do something for itself in return. Is there any direction in which the Bombay mill industry considers it could be made more efficient with or without help from Government ? My point is that the demand for protection might be countered by a claim that it is up to the industry to make itself more efficient in return for such protection as might be considered suitable. Is it your considered view that there is no possibility of the Bombay industry becoming more efficient ?

A. *Mr. Geddis.*—Not materially more efficient.

A. *Mr. Mody.*—We cannot pretend to claim that there is no room whatsoever for increased efficiency. I do not think we claim that. But we certainly do claim that we are doing everything imaginable to place our industry on as sound and as efficient a basis as we possibly can and we are alive to the possibilities of everything that is going on. During the last two or three years, if you were to make a comparative analysis you would find that a great deal has been done by the industry to protect and preserve itself in these difficult times. Production has been increased ; costs have been brought down. We do not say it is the last word on the subject but we do say that we have done a very considerable amount.

Q. Have you ever considered the question of advance in the direction of turning out more coloured, dyed and printed goods ? Have you ever considered the question of a combined dyeing, bleaching and printing works where there are ample supplies of water and other facilities available.

A. *Mr. Saklatwala.*—We have got a small printing works at the Standard Mills. We have not considered the feasibility of a very large plant.

Q. We have discovered that, certainly in the Punjab, there is a very large demand for bleached goods. The question arises whether there is nothing which could be done by the Bombay mills to meet it in combination ; whether if they are not prepared to do anything individually on account of cost anything could be done with or without the help of Government immediately.

A. *Mr. Mody.*—I do not quite see that. If there is a demand in the Punjab for bleached goods we are, situated as we are, able to satisfy that without entering into a combination for bleaching works.

Q. We have not got the figures of outturn of bleached goods for Bombay yet but such information we have seems to show that it is very small, comparatively speaking.

A. Who supplies the Punjab ?

Q. Lancashire mostly.
A. *Mr. Geddis.*—Fine goods.

Q. *Mr. Subba Rao.*—Nearly half Lancashire goods are 30s to 40s and the Punjab takes 152 million yards of bleached goods out of a total for the whole of India of 260 millions.
A. And the other half is higher.
A. *Mr. Mody.*—If we saw the possibility of pushing our bleached goods more largely into the Punjab we would try to do so. It is not the want of a central plant or organisation that is keeping us back. We individual mills are quite able to meet it without the necessity of an organisation of the character you mention.

President.—Has the Bombay Millowners' Association ever conducted a census of looms in Bombay ? Are there any figures of looms in every mill in Bombay ? Can you give us a statement now showing the width of every loom in Bombay ?
A. *Mr. Maloney.*—No.

Q. That is a point on which an Association such as the Millowners Association should have information available.
A. I do not think so, Sir. I do not know of any Association in the world which maintains such a record.

Q. Narrow loom products are going out all the world over and the tendency is to go in for wide looms.
A. *Mr. Geddis.*—Narrow looms in Bombay are a very small per centage of the total.

Q. That is a point on which we have asked for information and we cannot get it.
A. I do not say you cannot get it.

Q. It seems to me that this is information which should be readily available.
A. *Mr. Maloney.*—Do you think such information is available in any other Association in Manchester or Japan ? Every mill knows how many looms it has, and the need space of each. The information can be readily collected if it would be of any use.
A. *Mr. Mody.*—But if as you say the trade in narrow looms is dying out, mills are certainly aware of it.

Q. Not necessarily.
Mr. Subba Rao.—They might become aware only in course of time.
A. I do not quite see the bearing of that on the course of action which would be adopted by the mills. I do not know whether the Association should know how many narrow looms there were in order to meet a particular situation. Individual mills are doing what they can. At the present moment we ourselves have converted some of our narrow looms. We did that three years ago.

President.—How can you convert ?
A. Rebuild them.
A. *Mr. Wadia.*—We rebuilt them.

Q. You are going on to wider widths.
A. We carried on that process three years ago. We are now also carrying on with that and I believe that other mills are also doing the same. When they realise that trade in narrow goods is not so remunerative, naturally they take every step.

Q. The only question is whether three years is not too long a period.
A. Sometimes you get a tremendous lot of orders for narrow looms and wide looms are idle. At other times the reverse process takes place. At the present moment all looms of 45 inches and above are occupied; looms below 40 inches can hardly find employment.
A. *Mr. Mody.*—It is not correct to say that we have wasted three years. We changed over to a certain extent three or four years ago. Then we stopped it for the simple reason that we found that there was no further necessity of going on to wider looms; and now the demand has again changed and we find that cloth on narrow looms is not selling well and we have again taken up that subject.

Q. To revert for a moment or two a point we discussed just now, would it not have been a good idea if the Millowners' Association had an expert sub-committee which would watch over their markets and keep the members generally posted as to developments ?
A. *Mr. Geddis.*—We have a committee doing their best in that direction.

Q. I meant a sub-committee constituted *ad hoc* for the particular purpose of watching your markets. Some of you have more experience than others in regard to the export trade.
A. *Mr. Mody.*—Our committee has been doing all it can for the general body of members by keeping a watch over the trend of trade in foreign markets. But if an *ad hoc* committee was appointed purely for this we are not prepared to say that it would

be entirely useless. All I wish to impress upon the Board is that our export trade is being looked after even without this sub-committee that you are speaking of.

Mr. Subba Rao.—In a sort of empirical way. But it could not be watched so well as if you had a committee. You have no common action or common knowledge.

A. Common knowledge is there.

President.—Another point I should like to know whether there should not be some concerted action on the part of the Millowners' Association in regard to the question of trade marks and numbers. It has been represented to us that there is a considerable amount of imitation, both colourable and otherwise. For instance, a certain mill has a number 3808 another mill comes along with 38008. Cannot the Millowners' Association protect its Members from that sort of thing ?

A. *Mr. Mody.*—If the numbers are dissimilar, I do not see how any protection could be given even by a court of law.

Q. That is exactly the point. It is not a question of giving protection in a court of law. I admit that. But it is a question of the Millowners acting amongst themselves in order to ensure a square deal between their members.

A. *Mr. Geddis.*—That is as regards numbers only that you are talking.

Q. And labels.

A. Labels are registered and no number can use a label which is not registered. Before it is registered it must be submitted to us and if any member wants to object it is open to him to object. On the expiry of a month this would be put on the register provided it was not objected to. As regards numbers it is more difficult to take action, because it cannot be legalised. Numbers are open to everyone.

Q. Surely it is a matter in which the Millowners' Association should be able to help its members to some extent.

A. The same thing happens in Lancashire goods.

Q. Possibly, but it is not necessary to follow Lancashire in every respect.

A. I am just saying that Lancashire cannot achieve any benefit through registering numbers.

Q. It is undoubtedly an act detrimental to the trade in Indian piecegoods—this substitution of numbers.

A. *Mr. Mody.*—I think the grievance has been in the past that some numbers have been copied rather than that some imitation has been made. As regards the same number the position is merely this, that if you have a number which you have used for a number of years and which has established for itself a reputation in the market then no man can copy it. That imitation could be easily prevented.

Q. How do you mean it could be easily prevented ?

A. In a court of law. The Tatas have very often succeeded.

Q. As regards numbers ?

A. Yes. Tatas have successfully fought a number of actions.

Q. On the question of numbers ?

A. Yes.

A. *Mr. Geddis.*—It is very difficult to prove that your cloth is known by the number and whether you only have been using it.

Q. That is the use of the same number, not a colourable imitation of the same number ?

A. *Mr. Mody.*—But it is all a question for the court to determine whether an imitation is of such a character as to deceive the unwary buyer and I think in most cases the courts come to the assistance of the mills whose numbers have been copied.

A. *Mr. Sakalatwala.*—This matter was fully discussed by our Association. We had taken counsel's opinion and we wanted to make that a sort of rule, and then we decided that we had better leave it untouched because there is no law in India governing trade marks or trade numbers. So we had to leave things as they were. And the only thing we can do is, as soon as it is brought to our notice that some mill has copied a number or used a similar number we immediately write, and whenever we have written we have found that in the case of our members they have stopped it.

Raja Hari Kishan Kaul.—Under what law, under what section or clause ?

A. If we prove that we have been using a particular number for a number of years then no other person is allowed to use the same number on the same quality of cloth.

President.—What the Raja asks is what is the definite legal enactment under which you take action ?

A. It is only the law of usage.

A. *Mr. Mody.*—Passing off your goods for those of another man.

Q. Under the Indian Penal Code ?

A. Under the Contract Act.

A. *Mr. Saklatwala.*—Not under the Contract Act, but under the common law of torts.

Q. There must be some Act under which to bring an action.

A. *Mr. Wadia.*—I think it is under the Patents Act.

Q. Would you look the point up ?

A. *Mr. Wadia.*—As far as our Association is concerned, it has been almost a hardy annual. The only solution seems to be to allot certain numbers from 1 to 1000, and so on, but the unwillingness of the mills to give up their present numbers and to conform to the new numbers has been the difficulty. That is the solution as far as I can see. We considered the matter. It is not that the suggestion is new to us. The suggestion has been always with us.

Raja Hari Kishan Kaul.—Did you suggest legislation to prevent this copying of numbers ?

A. *Mr. Saklatwala.*—Our legal advice was that we were better off under the indefinite state rather than under a particular law because under the existing law we have prevented others copying the same number, and perhaps if a definite law were to come into force it would cause a clash regarding the numbers already in existence and there would be tremendous difficulty in passing such a law. As far as I remember the Government of India also asked for legal opinion and the opinions of public bodies and as they were against it they dropped the question.

Q. Then the matter has been before the Government ?

A. I think so. At least that is my impression.

President.—Another point which was suggested to us in Ahmedabad is the question of provision of railway sidings for mills. Some of the Ahmedabad mills would like railway sidings put in on certain terms. Of course Bombay is hardly affected by that ?

A. *Mr. Geddis.*—I do not think it would apply here.

A. *Mr. Wadia.*—It would not be possible in a congested town with so many roads between the railway and the mills. It would be impossible to build the bridges which would be necessary according to the Municipal law.

Q. We have also received a request from one of the Delhi mills that they should get land in the Canal Colony to grow cotton of their own in some of the new Punjab canal colonies. I take it that the Bombay Millowners' Association are not interested in a proposal of that kind.

A. *Mr. Mody.*—We have no objection to your recommending it. We are not particularly interested in that.

Q. We have seen in one mill on our way round a small test plant installed so that the mill can test its own cotton and see what it is likely to do. Have any mills in Bombay got a similar plant ?

A. *Mr. Mody.*—Without having a separate plant I think every mill tests its cotton.

Q. This plant enables the test to be carried out from beginning to end under conditions which are most likely to bring out the true value of the cotton.

A. *Mr. Geddis.*—There is an institute at Parel to which we very largely subscribe for testing the various kinds of cotton.

Q. This plant is to enable you to ascertain at the outset what you are likely to get. If you buy 500 bales you can work 2 or 3 bales on this plant and you work out and know what you are likely to earn when you put it through the mill.

A. *Mr. Geddis.*—In Bombay when we buy cotton we take a hundred pounds and run it through the test, or two or three bales. We take a minimum quantity.

A. *Mr. Mody.*—In the case of most kinds of cotton, their value is known, and in spite of that when they get into the mills they are tested. But where you get a cotton about which you are not sure, it is a common practice to get two or three bales to test. It is a very common practice.

A. *Mr. Wadia.*—Apart from that we have already paid four annas and are now paying two annas for every bale of cotton that enters our mill, to the Cotton Committee for the upkeep of their laboratory and all we see is that they watch after the interests of the cultivators. As far as we are concerned, they help us in no way although we pay the cess for the maintenance of their laboratory.

Q. The object of this test plant inside the mill itself was to increase the efficiency of that particular mill. That was its sole object.

A. *Mr. Geddis.*—I think it is unnecessary, and that they are unlikely to pay.

A. *Mr. Mody.*—Enough tests are carried out by the mills themselves under working conditions without having a separate plant.

Q. The last question I should like to ask you is in regard to the present position. There have been indications in the papers that some mills are taking action in regard to the change which has been brought about in the present position during the last two or three weeks. Is the Millowners' Association considering any combined action or do you propose to leave it entirely to individual mills ?

A. We did consider this matter very recently, and I think I can say without any breach of confidence that we were unanimously of opinion that the position was so bad that some curtailment of production temporarily might be made, but we were unable to agree upon the exact way in which it should be done at the present stage and therefore we could not come to a decision, but in actual practice you will find that a certain number of spindles and looms have been shut down since we first met here.

Q. How many do you think ? Are there any figures ?

A. It is very difficult to ascertain. We have not ascertained, but I am told that it is a good number.

Mr. Subba Rao.—Before the Fiscal Commission your Association made a demand that protection was wanted not merely for hosiery but also for calico printing, and that was in 1921 and trade conditions at that time were very prosperous and you had plenty of money both for reserves and for dividends. Was any attempt made, apart from the Standard mills, to go in for printing ? Did any mill attempt to import printing machinery ?

A. *Mr. Saklatwala.*—Even in the Standard mills they could not compete against Lancashire.

Q. Because of the small size of the plant.

A. With regard to the quality itself. We found that printing on our quality of cloth was not taken on the market.

Q. You have to improve your cloth production. You must produce finer cloth and then print ?

A. Yes.

Q. Does it mean that your best cloth is incapable of taking good print and being sold in the market ?

A. To a certain extent it is so, and another difficulty was that with a small plant you cannot change the designs so very often, whereas in English goods you find them change designs frequently and constantly. We could not do that because the copper rollers are very expensive.

Q. So you have got two difficulties, one the scale of operation and another the kind of cloth that is wanted. Can you give us any idea as to the capital required to instal a plant of the adequate size ?

A. I cannot say unless I go into the figures. I do not know the present day costs. Not only that. In the Standard mills we found that it is not much use to have only one kind of printing. We only print ordinary cloth. We do not print sarees. Unless we have a complete plant giving the complete range we cannot succeed.

Q. Does it not suggest that here is a field for something like common action on the part of the Bombay mills to instal a common printing plant ?

A. *Mr. Geddis.*—I believe this was very thoroughly gone into two or three years ago by certain people and they found it could not be done. I do not know the reason, but they came to that conclusion.

Q. It is not possible in Bombay to go for finer counts or for prints and you have no appreciable bleached goods ? So does it not suggest that your development is stunted ?

A. I am unable to give reasons but I do know that a party did go into it very carefully. They were wanting to put in printing works.

Q. If you are to go in for further development it seems that the printing trade is the obvious one to be taken up ?

A. It is an entirely different branch and supplies an entirely different market.

Q. A big market ?

A. Undoubtedly.

Q. Is it impossible by any system of co-operation to start a plant and capture a part of the trade ?

A. Really I cannot give an opinion without knowing the things. I have not gone into them.

Q. Could you give us any information which you have had two or three years ago ?

A. Two firms in Bombay went into that.

Q. It will be available in that case ? Then, I find by looking at the figures of imports of textile machinery that hardly any bleaching plant has been imported during the last three years. Does it mean that Bombay is not going in for bleaching or that the bleaching equipment is complete ?

A. We should think there is comparatively little textile machinery of any kind coming in.

Q. But there is a good deal of spinning and weaving.

A. *Mr. Wadia.*—What is the use of bringing in any more bleaching plant ?

Q. Does it mean that there is no demand for bleached cloth ?

A. Our difficulty has been very highly accentuated by the action of the Bombay Municipality in raising the rate on water to Re. 1 per thousand gallons, whereas in Ahmedabad they bleach by hand at about a third of the cost.

Q. Once again expensive production and not lack of demand for bleached cloth ?

A. There is a lack of demand for bleached cloth. They prefer the hand-bleached cloth of Ahmedabad at a cheaper price to a perfectly bleached cloth of Bombay.

Q. Any way they want bleached cloth, but not a superior kind ?

A. They want the half-bleached cloth, not the bleached.

Q. It is too expensive ?

A. It is expensive because the water is expensive. If water were got down to 4 annas we should bleach nearly as cheaply as Ahmedabad.

Q. It is a question of expense ?

A. Yes, by reason of the water charges.

Q. There is only one more question. I think you used the expression "subsidies" when speaking of State aid other than import duties ?

A. *Mr. Mody.*—I said freights.

Q. What do you mean ?

A. For all export purposes, if we had cheaper freights it would help us. The position with regard to the exports is that we are up against competitors who derive all manner of advantages from the State. Take the instance of Japan. Cheap freights, indirect bounties and subsidised steamers.

Q. *President.*—Indirect bounties of what sorts ?

A. A tax on consumption.

Q. It has been abolished.

A. Yes, recently abolished, but I am talking of the advantages of the last few years.

Q. What else ?

A. *Mr. Saklatwala.*—Government do not take any income-tax from exporters. They remit income-tax also if you have a business for export sales. For internal trade you pay income-tax only on the profits made on your internal trade.

Q. Can you produce the authority for that statement, Mr. Saklatwala ?

A. I think I can.

Q. If you could we should be very glad.

A. *Mr. Mody.*—They have their own steamship companies plying between various ports and as you know yourself during the last few months they have instituted a new line between Mombasa and Japan. Then we have given you various extracts.

Mr. Subba Rao.—What is it you want in the way of subsidies ?

A. We want the same facilities.

Q. They have their national shipping ?

A. Government should subsidise steamship lines carrying our goods for export. If we have no mercantile marine of our own, that is the only thing I can see that Government can do.

Q. Subsidise any line that will carry your goods at a lower rate ?

A. Yes. That is the only solution as far as I can see.

Q. Do you think that any of our national lines will take up export trade or is the only practical proposition to subsidise one of the larger lines ?

A. I do not know if any of our existing national lines is sufficiently developed to do that sort of thing. We should only too gladly welcome that.

Q. I was merely asking for some practical suggestions as to what could be done. You suggest some subsidy for some line running between India and Persia ?

A. I do not see what difficulty Government would have in subsidising any existing line, for instance the P. and O. or the B. I. S. N. If they subsidise any of our own indigenous lines so much the better. We certainly would welcome it more than the other because our shipping trade ought to be developed.

Q. But in the absence of a national mercantile marine you suggest subsidising the P. and O. or some one else ?

A. Preferably some indigenous line which shows itself capable of carrying our export trade, the Scindia Steam Navigation Company for instance. If Government give it proper encouragement to supply the needs of our export trade, we shall be only too pleased to have it.

Q. That is practically giving you an export bounty ?

A. You may call it so, but I do not know whether that is the correct term to apply.

Q. It means you cannot export now at the present price you fetch in foreign markets ?

A. We are unable to export goods to foreign countries where goods manufactured by people who receive all manner of encouragement from the State are sold.

Q. There is going to be competition between two nations, to make a present to the foreigner of a portion of their producing advantages ?

A. Well, no advantage can be secured without a corresponding disability. I mean the general consumer has to pay, but if the industry is developed and gets into prosperous days the consumer gets the advantage of it. It is returned to him ten-fold.

Q. In the shape of a lower or higher price ?

A. In the shape of everything. In the shape of employment, in the shape of dividend and in a variety of ways.

Q. But if you develop your export trade with State help by getting a bounty directly or indirectly, by freights or by a subsidy it means you are making to the foreigner a present of so much of your goods which you could not supply at a lower price before. Except that you develop your scale of production and thereby possibly reduce your price for the home consumer, there is no other advantage. You have got to make sure that by extending your trade with the help of the subsidy you extend the scale so as to lower the cost.

A. The development of the industry would more than compensate for the tax the consumer would undoubtedly have to pay in the first place.

Q. Would you support some scheme of subsidy to the lines that run now, preferably to any national lines ?

A. Yes.

President.—I think that concludes our sitting. I do not think we have quite sufficiently advanced—at any rate this is not the time of day—to discuss the cost of production of individual mills. I do not know what your ideas on that subject would be. If we wish to talk about a comparison between individual mills are you prepared to discuss it, of course in camera, or would you rather prefer not to talk about each other's affairs even before us ? We are entirely in your hands in the matter.

A. *Mr. Mody.*—If the discussion would help the Board to arrive at a right conclusion on any relevant matters, we are only too willing to submit the matter for discussion.

ANNEXURE A

COPY OF A LETTER DATED THE 8TH NOVEMBER 1926 FROM THE SECRETARY OF THE BOMBAY MILLOWNERS' ASSOCIATION

I have the honour to enclose herewith for your information copies of two judgments in regard to the trade mark dispute between the Madhavji Dharamsey Manufacturing Co., Ltd., and the Central India Spinning, Weaving and Manufacturing Co., Ltd., and also a brief summary of the attitude adopted by this Association when the question of the enactment of a Trade Mark Registration Act was considered by this Association in the year 1909.

IN THE HIGH COURT OF JUDICATURE AT BOMBAY

ORDINARY ORIGINAL CIVIL JURISDICTION

Suit No. 26 of 1914

The Central India Spinning, Weaving and Manufacturing Co., Ltd. .. Plaintiffs;

versus

The Madhavji Dharamsey Manufacturing Co., Ltd. .. Defendants.

Coram MACLEOD J.

Dated 16th August 1915.

Judgment

The plaintiffs are manufacturers of cloth which they manufacture in their mill in Nagpur in the Central Provinces. In 1904 they commenced to manufacture a certain quality of black twill and for the purposes of reference they distinguished it from other kinds of cloth manufactured in the mill by assigning to this twill No. 2051. The colour shade of the twill was distinguished by a series of numbers commencing from one. The black twill was distinguished by No. 10. The No. 2051 was in no way descriptive of the twill cloth. On each piece of cloth was also woven the device of a serpent surrounded by a scroll containing the name of the Empress Mill. This twill was put on the market in the North-West Frontier Provinces, Sindh and Punjab where the plaintiffs have got their selling agents at Amritsar, Peshawar and Karachi. The dealers in these towns and other smaller towns would apply to the selling agents for the plaintiffs' cloth and the cloth would be distributed by these dealers to smaller dealers in smaller towns and villages and so on until it ultimately found its way to the consumer. In or about July 1913 the defendants, who were a company carrying on the manufacture of cloth in Bombay, put on the market a black twill cloth which was also marked '2051' with the No. 10 below. In addition there was a printed ticket affixed to each piece, a sample of which was affixed to the piece of cloth manufactured by the defendants put in as exhibit in this case and there was also a white ticket bearing the defendants' name and other particulars.

The plaintiffs allege that by 1913 their black twill had become known amongst purchasers in Sind, Punjab and the Frontier Provinces by its number alone, so that anybody who wanted to buy the plaintiffs' black twill would not write and order "a bale of black twill from Nagpur mill bearing the mark of the serpent and the No. 2051" but would simply order "a bale of black twill No. 2051."

The plaintiffs contend that they have established this by their evidence and that they are therefore entitled solely to the use of that number on their black twill and that the use of that number by the defendants on a similar twill constitutes an infringement of their rights. The law on the point is perfectly well established. There is no necessity for me to do more than refer to the judgment of Mr. Justice Heaton, which is unfortunately not reported in suit No. 401 of 1909 Vithaldas Narandas *vs.* Gordhandas Jotharam and others where the various cases bearing on the point are considered. I think there can be no doubt that a manufacturer can establish the right to the use of a particular number as a trade-mark as well as the right to use a particular device or he may use the two in conjuction. Therefore it does not matter much what the particular drawing or number

on the manufactured goods consists of, provided that the goods become known, in the market, by that particular device or number. Then if there is a device as well as if number, it depends on the evidence in each case, as to what is the dominant part of the manufacturer's mark whether the device or the number or the two in conjuction, and a the plaintiffs establish the fact on their evidence that goods become known in the market and are sold by that particular number, then it is not necessary for them to prove that the purchasers have actually been deceived by the defendants using this particular number. But it is for the plaintiffs to satisfy the Court that the similarity between the respective marks of the plaintiffs and the defendants is such as to be calculated to mislead purchasers. It is permissible for the plaintiffs to ask for an injunction against a rival trader, as soon as he knows that other's goods bearing his mark and stamp are found placed on the market. When the plaintiffs' black twill was placed on the market it was probably known either as serpent chap or Naug Chap No. 2051 of the Empress Mills or perhaps by the description Empress Mill Naug Chap; but the evidence adduced now proves conclusively that, as time went on, purchasers whether retail or wholesale, and wholesale dealers may be purchasers only of a single bale or a large number of bales, sent their orders for black twill No. 2051, without referring either to the plaintiffs' name or the serpent device. And there can be no doubt that what they expected to get when they gave that order was the plaintiffs' black twill because there was no other black twill on the market, at that time, bearing No. 2051 except the plaintiffs'. It has been suggested that purchasers must have associated the plaintiffs' name with the number. That in a sense is correct but it does not mean that a shopkeeper on the Frontier village when asking for a bale of black twill No. 2051 was bound to have in his mind the personality of the plaintiff company. All that he would require to have in his mind was that he bought this particular kind of cloth before with the plaintiffs' mark on it and he wanted to have it again. If the purchaser has to be actually acquainted with the personality of the manufacturer, it is clear that manufacturers in the export trade would never have any chance of establishing their right to any particular trade-mark. It is obvious that the purchaser of a particular kind of cloth, bearing a particular device manufactured in Manchester, if he happens to be on the other side of the globe, will have no idea whatever of the manufacturer except as a person who has sent out the particular goods, which he wants to buy.

There is no necessity for me to go through the evidence taken on commission, at length, because the general effect of it is clear, namely, that these various dealers have shown and have produced, in each case, particulars of orders from their constituents, for this particular black twill by the No. 2051. Nor is it necessary as is usually argued in this class of cases for the plaintiffs to prove that the purchaser has been deceived or will be deceived if he had both kinds of cloth placed before him. This would not, in any event, be the case when the actual purchase is made. It is sufficient if the Court is satisfied that a purchaser when wanting to buy the plaintiffs' cloth may be misled into buying the defendants'. Now the defendants say that they protect themselves by placing other marks totally different from the plaintiffs' marks on their twill. That would only be effective if they had proved that the purchasers knew the plaintiffs' goods by some other portion of the device than the number. That a practice exists among the Bombay mills of copying numbers appertaining to goods of rival mills which have attained a certain popularity in the market is clear from the circular, defendants have put in, which has been sent round by the Millowners' Association to its various members. In that they refer to the objectionable practice current among mills of copying each other's numbers. And, however, much the defendants may protest that their multi-coloured ticket distinguishes their goods from the plaintiffs, so that there can be no possibility of deception, the fact remains, as I pointed out in the argument that the defendants without any reason whatever, for none has been called to show why the number was assigned to their black twill, copied this number which the plaintiffs have been using since 1904. If there was no importance attached to the number there was no possible reason why they shold have fixed upon it, rather than on any of the other hundreds and thousands of numbers, one of which they might have attached to this particular kind of twill. The only reason, the Court can give, for their having fixed upon this particular number, must be that the purchasers of this kind of cloth attached considerable importance to the number and bought the plaintiffs' cloth by that number, and the defendants thought, if they used this particular number, they might induce the purchasers to buy their cloth, instead of the plaintiffs'. Their cloth is somewhat heavier and somewhat cheaper than the plaintiffs' cloth. Not content with copying the No. 2051, they have also added the 10 which has nothing to do, in their case, with colour. It has been suggested, that it describes weight. That cannot be the case, because it has been proved that each piece of the defendants' cloth weighs from 11¾ to 12 lbs. Therefore it is quite clear that the defendants thought there was some magic in the 10 as well as in the 2051 which induced the purchasers to buy the plaintiffs' cloth. Again, it may be said that if no importance was

attached to the number, the defendants when the plaintiffs gave them notice could easily have changed the number of this particular kind of twill rather than run the risk of litigation, in order to defend their alleged right to use it.

1st Issue.— I find in the affirmative.

2nd Issue.—I find that on the evidence, the plaintiffs have proved that before the defendants put their cloth on the market bearing this number, plaintiffs had established an exclusive right to use that number.

3rd Issue.—I find that under ordinary circumstances, numbers are common to the trade, yet it is possible for one manufacturer to establish his exclusive right to use a particular number for certain goods. That is merely a matter of evidence in each case.

4th Issue.—Unnecessary.

5th Issue.—If the plaintiffs ask for it there must be an enquiry before the Commissioner about the damages suffered by the plaintiffs on account of the defendants' infringement on the plaintiffs' trade-mark.

Plaintiffs must get their costs of the action.

IN THE HIGH COURT OF JUDICATURE AT BOMBAY

IN APPEAL FROM ITS ORIGINAL CIVIL JURISDICTION

Appeal No. 44 of 1915

Suit No. 26 of 1914

The Madhavji Dharamsey Manufacturing Co., Ltd. .. Appellants and Defendants;

versus

The Central India Spinning, Weaving and Manufacturing Co., Ltd. ..Respondents and Plaintiffs.

Dated 18th January 1916. *Coram* SCOTT C. J. and HEATON J.

Judgment

As to the main facts there is no dispute. They are concisely stated in the first paragraph of the Judgment of the Lower Court as follows (read on p. 250). The learned Judge held that the No. 2051 was the dominant characteristic of the plaintiffs' goods among purchasers in the Indian markets in which it had an extensive sale and that it was under this designation that the constituents of upcountry middlemen were in the habit of ordering the plaintiffs' twill of that description; and, being of opinion that the defendant had copied the plaintiffs' number in order to induce purchasers to buy the defendants' cloth which was rather heavier and cheaper than the plaintiffs' instead of the plaintiffs' cloth passed the decree for an injunction and damages which is now under appeal.

The main contention of the appellants is that the learned Judge erred in assuming that the purchasers ordering twill No. 2051 or 2051/10 expected to get the plaintiffs' particular manufacture bearing that trade-mark and that on the evidence the plaintiffs had failed to prove that purchasers of black twill 2051 or 2051/10 were made on account of special preference for the plaintiffs' particular cloth and that the number or combination of figures were merely a manufacturers' number or quality to which the defendants had as much right as the plaintiffs.

It will be convenient to deal with the question of quality number first—The argument that numbers on goods are merely manufacturers' quality numbers may be perfectly correct in a state of facts such as was proved to exist in Barlow *vs.* Govindram, 24 Cal. 364, relied upon by the appellants' Counsel where the Court found that the same importers imported into India cloth of identically the same quality, kind and measurement under different numbers as well as different object designs. But that contention is inappropriate where the cloth of a particular factory when of a particular kind *invariably* bears

not only a trade device but also a fancy combination of figures designed for that particular cloth. The number not only represents no other cloth but that particular cloth never bears any other number—so that as far as quality is concerned (*i.e.*, the ultimate result of the material and processes employed in that factory for the production of that cloth) there is no standard of comparison but another piece of the same cloth of the same manufacture. The simple question then in such circumstances is whether the defendant in the passing off case is doing something calculated to deceive purchasers into the belief that they are buying the particular article which they know as bearing the particular number. It is not a case of a known quality of the manufacturer indicated for reasons of convenience by various number as in Barlow *vs.* Govindram but of the particular mark in dispute being an invariable indication of the cloth of the plaintiffs' manufacture. It is, however, contended that the plaintiffs cannot claim an exclusive right to the user of the particular combination of figures unless it is shown that the purchasers consciously associate the figures with the plaintiff company. But these goods have acquired by a particular fancy description combination or device a reputation in the market it is immaterial that the customers do not know who the maker is. In Wotherspoon *vs.* Currie, 5 E and I, App. 514, Lord Cairns said "The name of the article if it has acquired a name should not by any honest manufacturer be put upon his goods if a previous manufacturer has by applying it to his goods acquired the sole use of the name. I mean the use in this sense that his goods have acquired by that description a name in the market so that whenever that designation is used he is understood to be the maker when people know who the maker is at all—or if people have been pleased with an article it would be recognised at once by the designation of the article although the customers may not know the name of the manufacturer."

So also Lord Halsbury in Birmingham Vinegar *v.* Powell 7189 A. C. p. 713 said "It may be true that the customer does not know or care who the manufacturer is but it is a particular manufacture he desires. He wants Yorkshire Relish to which he has been accustomed and which it is not denied has been made by the plaintiff for a great number of years. This thing which is put into the hands of the intended customer is not Yorkshire Relish in that sense. It is not the original manufacture. It is not made by the person who invented it. Under these circumstances it is a fraud upon the person who purchases to give him the one thing in place of the other." The evidence appears to us to be convincing that the plaintiffs' twill cloth had by or before 1911 (the year in which the defendants claim to have introduced the marks complained of) acquired in the Northern India Markets a reputation under the designation of 2051 and when black of 2051/10 and that purchasers desiring that cloth ordered it rather by those figures than by any other designation and that the figures had become by use the dominant designation. It is said that the witnesses for the plaintiffs were middlemen or commission agents and not the ultimate buyers and that the witnesses would not be deceived. To this the answer is that their testimony as to the form in which orders for the plaintiffs' cloth is usually given in good proof of the association formed in the minds of ultimate buyers between the figures and the article produced by the plaintiffs. It is also contended that no case of actual deception has been proved but this is not necessary. It is sufficient to justify relief if the Court is satisfied as we are here that the defendants are putting into the hands of middlemen a means whereby ultimate purchasers are likely to be defrauded. See Singer *v.* Loos 18 Ch. D. 412 and Lever *v.* Goodwin 36 Ch. D.pp. 3 and 7.

It has been contended that as the plaintiffs and defendants affix to their cloth distinctive trade marks no importance should be attached to the figures but it is a matter of common experience that the attention of buyers is often not attracted by the most prominent design. Experience alone shows which device has caught the attention of buyers. Here there can be no doubt that far more importance is attached to the figures than to the pictorial representations and the conclusion is almost irresistable that the defendants knowing the importance attached by buyers to the plaintiffs' combination of figures adopted that combination in the hope of securing for their cloth some of the plaintiffs' customers.

In our opinion the judgment of the lower Court is right and should be affirmed.

As regards the form of injunction objection has been raised as to its local extent and as regards the form of the inquiry as to damages that it is sweeping.

In our opinion the injunction must be wide enough to cover all possible Indian channels of approach to the ultimate buyers and should not be limited as contended by appellants and as regards the form of inquiry as to damage it appears to us that it would be neither reasonable nor practicable to restrict the inquiry as suggested. The wide form of inquiry was adopted after argument in Lever *v.* Goodwin and has been rightly applied in the present case. The appeal must be dismissed with costs.

Attitude of the Association in 1909

Registration of Trade Marks in India

During February 1909 some correspondence was received from the local Government regarding the registration of trade marks in India, and the Committee were invited to express their views on the subject.

The correspondence contained among others, a letter from the Government of India to the Secretary of State, the latter's replies and various memorials from the Association of Chambers of Commerce of the United Kingdom. The above comprised the period from 1904 to 1908.

The Government of India briefly recapitulated the history of the case as follows:—

In the year 1877 the Millowners' Association and the Chamber of Commerce, Bombay, suggested that legislation should be undertaken, on the lines of the English Statutes of 1875 and 1876 in order to provide for the registration of Trade Marks in India. The Government of India accepted this recommendation and a Bill giving effect to it was introduced in the Imperial Legislative Council. The Bill was eventually withdrawn, on the recommendation of the Bombay Chamber of Commerce and the Millowners' Association as they were of opinion, after mature consideration, that legislation was unnecessary, and might possibly prove inconvenient. This opinion was endorsed by the Bengal and Madras Chambers of Commerce and was accepted by the leading Commercial Associations in India.

The Government of India in 1904 remarked that they were doubtful whether there was any widespread demand for such legislation, or whether any important results would be attained thereby, and, as advised at that time, they were not disposed to move further in the matter.

In June 1905 the Secretary of State forwarded to the Government of India a memorial from the Association of Chambers of Commerce of the United Kingdom, in which the memorialists urged that a system of trade mark registration similar to that in United Kingdom should be established in British India, but that having regard to the difficulties presented by the complexity of cotton marks, the cotton classes should be excluded from such system of registration.

In reply to the above the Government of India stated in September 1905 that the fact that it was now proposed not to register cotton marks did not, in their opinion, materially alter the position; and that the practically unanimous expression of opinion on the part of Local Governments and Indian Chambers of Commerce should be accepted as conclusive evidence that a system of trade marks registration was not required in the interests of India, and therefore should not be introduced.

Another memorial from the Association of the Chambers of Commerce of the United Kingdom was forwarded by the Secretary of State in June 1906 to the Government of India. The latter replied that the question had again received their fullest consideration, and that its advancement, they were of opinion, depended entirely on a change of public opinion in India, and that there was no reason to believe that any such change had taken place since last writing on the subject.

A similar memorial from the same source once more reached India in November 1908, and the Government of India desired to know whether the prevailing views of the Millowners were in favour of any alteration of existing conditions.

The Committee, after a careful consideration of the whole question, replied in May 1909, stating that the general consensus of opinion had not changed on the subject, and that they were still convinced that there was no necessity for the proposed legislation, as from experience it had been found that the existing law was sufficiently comprehensive to afford adequate protection to legitimate users of trade marks. An Indian Act based on the English Statute would, in fact, the Committee considered, afford less protection than was now enjoyed by the law as it stood.

Further, it was not felt that the Association's opinion could in any way be changed by the proposal to exclude cotton marks from the suggested registration. Such exclusion would, it was felt, deprive all producers of cotton goods from the benefits of any Act of the nature.

In the circumstances the Committee were unable to approve of the suggested legislation, and they trusted that no change would be made in the existing conditions.

ANNEXURE B

I. Copy of a letter dated the 16th November 1926 received from the Bombay Millowner's Association

Some days ago you forwarded to the Association copies of certain supplementary statements submitted to the Tariff Board by the Bombay Textile Labour Union. Accusations were made in regard to certain mills regarding wage reductions, fines, etc., and the attention of the mills concerned was drawn to the statements made. I now enclose copies of the replies received from the Assur Veerji and Emperor Edward Mills. If any more replies are forthcoming, I shall forward them to you.

Also enclosed please find a copy of the letter addressed to the mills concerned.

THE ASSUR VEERJI MILLS, LIMITED,

Bombay, 15th November 1926.

To

THE SECRETARY,

The Bombay Millowners' Association, Bombay.

Dear Sir,

With reference to copy of evidence given by the Bombay Textile Labour Union sent to us with your letter No. 1899/121 of 1926, dated the 8th instant, we thank you for drawing our attention to the table on page 7 in connection with our mill, *viz.*, "The rates of almost all varieties were reduced about four months ago."

This statement is not true. The rates of a few varieties of cloth were reduced by us in January 1926 to bring them in consonance and on a level with the rates of similar varieties then prevailing in the mills in our neighbourhood.

Yours faithfully,

Per pro H. F. Commissariat & Co.,

(Signed) K. A. DUBASH,

Agents.

THE EMPEROR EDWARD SPINNING AND MANUFACTURING CO., LTD.

Bombay, 13th November 1926.

To

THE SECRETARY,

The Bombay Millowners' Association, Bombay.

Dear Sir,

In reply to your letter No. 1949/121 of 1926, dated the 12th instant, we beg to return herein enclosed the pamphlet sent by you the other day. We thank you very much for drawing our attention to the oral evidence given by the Textile Labour Union and particularly to the table on page 3 relating to our mill. We have referred this matter to our Mill Manager, who has given us an explanation copy whereof we send you herewith for your perusal and necessary action.

Yours faithfully,

For the Emperor Edward Spinning and Manufacturing Co., Ltd.,

(Signed). .....

Agents.

THE EMPEROR EDWARD SPINNING AND MANUFACTURING CO., LTD.,
Reay Road, Mazagon, Bombay, 12th November 1926.

B. D. PETIT SONS & Co.,
Agents.

Dear Sirs,

I have received a pamphlet dealing with the evidence given by the witness who appeared before the Tariff Board.

Referring to paragraph 4 the latter portion of which relates to your mill, it appears to me that the evidence must have been given knowing full well that the Tariff Board are not fully conversant with details of a technical character. Had this witness taken the trouble to come to the mill to ascertain facts, we would have given him all the information required. As it is, we are inclined to believe that he preferred to record statements which suited his purpose.

As regards the question raised regarding budli, it is a common practice both in India and in England for a weaver to arrange for a day's leave with some one who can fill the position for such period and it is generally agreed upon the amount for the day to be paid as it saves the trouble of reckoning the yards woven. Should weavers absent themselves for a longer period, then the work of such substitute is entered into a muster separate from the ordinary muster and is paid therefrom. Such amount is not under these circumstances included in the wages of the fixed weaver.

The foregoing arrangements are as desired by the weavers themselves and they approve of it most heartily. How witness comes to make a grievance of it seems strange!

Below this paragraph I find 68 persons' names given, also columns showing payments of amounts paid in May, June, July, August and September. Again I would remind you that witness has supplied figures which, if not correctly explained, are apt to mislead. In August the mill did not work fully and the results in September were affected from almost similar causes not as a cut in wages as regards rates but simply owing to conditions over which we had no control.

The items on page 7—2nd statement.

This item was answered by me in the *Times of India* 14th September 1926, page IV (cutting enclosed).

In this paragraph also we are not aware of such reductions.

Page 9, VII, Item No. 4.

60 looms have been abandoned owing to the age and unsuitability.

In their remarks in this connection I would add that we have a large number of a recent date and the rest somewhat older yielding a production equal to the new ones.

Yours faithfully,

(Signed) J. P. THORNBER.

The Times of India, September 14th, 1926

EMPEROR EDWARD MILL WAGES

Mr. John P. Thornber, Manager, Emperor Edward Mill, Bombay, sends us the following:—My attention has been drawn to a statement which appeared in your issue of Saturday last by one of the witnesses who gave evidence before the Tariff Board on behalf of the Labour Union. He referred to the Emperor Edward Mill, Mazagaon, having reduced the rates of its workers. We regret very much that our friend should have been made the victim of bazaar gossip and also regret that he should have made statements before the Board which he did not take the trouble to verify, as the management is unaware of such reductions as stated.

THE MILLOWNERS' ASSOCIATION,
Bombay, 8th November 1926.

THE SWADESHI MILLS Co., LTD.,
Bombay.

Dear Sirs,

I send you herewith a copy of the evidence given by the Bombay Textile Labour Union and would draw your attention to the Table on pages 6 and 7.

If you have any comments to make regarding this table will you kindly let me know as early as possible ?

Yours faithfully,
(Signed) T. MALONEY,
Secretary.

Same letter to Emperor Edward Mills (Ref. Table on Page 3)
Madhowji Dharamsi Mills (,, ,, 5)
Khatau Makanji Mills (,, ,, 7)
Assur Veerji Mills (,, ,, 7)

II. Further letter dated the 17th November 1926

In continuation of my letter No. 1980/121, dated 16th November 1926, enclosing copies of replies received from the Assur Veerji and Emperor Edward Mills to the accusations of the Bombay Textile Labour Union in their supplementary statement submitted to the Indian Tariff Board, I have the honour to enclose herewith copies of replies received from the Swadeshi Mills and Madhowji Dharamsi Manufacturing Co., Ltd.

THE SWADESHI MILLS CO., LTD.,
Bombay, 15th November 1926.

THE SECRETARY,
Millowners' Association,
Bombay.

Dear Sir,

With reference to your letter No. 1899/121 of the 8th instant we enclose two statements prepared by our Kurla and Girgaum Mills in reply to the printed statement submitted by the Bombay Textile Labour Union to the Tariff Board.

Yours faithfully,
For the Swadeshi Mills Co., Ltd.,
TATA SONS, LTD., Agents.
By their constituted Attorney,
(Signed) .....

SWADESHI MILLS No. 1

Kurla, 15th November 1926

Memo.

Re the information regarding Swadeshi Mills No. 1 supplied by the Textile Labour Union to the Tariff Board.

1. *Comparative statement showing a fall in the wages of the cotton textile workers in Bombay in 1926, Head II in the Annexure A.*—We have not made any alterations in the rates allowed to the operatives. Most of the figures given in the tabulated statement are incorrect and misleading inasmuch as no mention is made of the number of days in which those wages were earned. Besides all the instances cited are of operatives

working on piecework in the card frame and weaving departments at different rates fixed for different sorts and it is not possible for every worker to work on one particular sort all the year round as we have to keep on changing sorts to meet the requirements of the market. Consequently earnings are bound to vary according to the kind and quantity of work they get. Attached hereto is sent an amended statement from which it will be seen that except in the case of operative No. 2 the earning per day in the month of August in the case of each operative is nearly equal to and in some cases more than that in June. In the case of No. 2 it appears from enquiry that his lower wages during August in comparison with those of June and July were due to his not having given the list of work done by him in the last week of August to the clerk in time. The work which remained to be entered in August was added to that done by him in September.

2. *Mills which have reduced the number of workers during 1926, Head IV in the Annexure A.*—The information given by the Textile Labour Union is not correct. The number of doffer boys was never reduced by one hundred. In fact by reducing the number to such an extent our work would considerably suffer. Referring to the muster rolls from January 1925 to October 1926 we find the difference between the highest and lowest number present during these months to be 47. In this connection it must be made clear that there can be no fixity in the number of doffer boys as we have to keep on changing counts to meet the requirements of the market. Time there was when our saleable yarns ranged between 6s and 12s. During the current year to meet the altered circumstances, we have to keep about 60 per cent. of our spindles for saleable yarns on counts ranging between 40s and 60s. In the case of cloth too we have to go in for comparatively lighter sorts though not to the same extent as in saleable yarns. The lighter the count the fewer the number of doffs to be taken out and fewer the number of doffer boys required. About the month of February last the number at work was found to exceed the number actually required and the spinning master was therefore told not to engage any new boys to take the place of those who may leave us until the actual required number was reached. We have been told both by the Government and labour leaders to put our houses in order. Here is a genuine attempt in the right direction which the labour leaders now seem to resent.

3. *Mills giving spoiled cloth to the workers, Head V in the Annexure A.*—We do not give spoiled cloth to the weavers all of a sudden. If in spite of previous warnings and small fines they keep on spoiling cloth we have to hand over the spoiled cloth to them and recover the cost thereof from their wages. This punishment is preferable to sudden discharge as in the latter case they remain out of work for a number of days—sometimes for a number of months—whereas in the former case by selling the cloth in small lengths they lose very little. At times we are told they make a slight profit that way. We do not dismiss weavers for faulty cloth unless we find them incorrigible.

4. *Mills using old machinery, Head VII in the Annexure A.*—There is a lathe in the mechanic shop made in 1862 but is quite in good condition and more than half of the machines in that department were ordered out during the last twenty-five years. No machinery in the ring department is dated 1882. About one-fourth of the existing machinery is dated 1888 and the remaining machines were obtained from time to time between the years 1892 and 1924. All machines in the blow room are not dated 1891 and 1896. There are some machines which were obtained subsequently. Out of a total number of 1542 looms in the weaving shed 131 looms were obtained between the years 1889 and 1896. The majority of the looms were obtained between 1900 and 1913. Age alone ought not to be the criterion of the condition of machines. The original makers and the care bestowed on the machines subsequently have to be taken into consideration as well. Most of the above machines in our mills are of first class makers and are kept in perfect working order by spending a lot of money on repairs.

(Signed) KAVASJI MANOCKJI.

No.	Names	June 1926			July 1926			August 1926		
		Days	Earnings		Days	Earnings		Days	Earnings	
			Per month	Per day		Per month	Per day		Per month	Per day
			Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
1	Dhondoo Sonoo Jadav	21	23 15 3	1 2 3	22	24 2 9	1 1 7	21	24 15 3	1 3 0
2	Shanker Mahadoo Rane	23	53 12 3	2 5 5	23	52 6 9	2 4 5	18	28 12 9*	....
3	Abdool Rahim	26	51 8 3	1 15 8	27	56 11 0	2 1 7	25	48 0 3	1 14 9
4	Baboo Dagdoo Jagtap	26	47 14 6	1 13 6	27	42 10 0	1 9 3	25	50 11 6	2 0 5
5	Sonoo Ratnoo	25	34 14 0	1 6 4	13½	25 6 9†	....	16	23 2 6	1 7 2
6	Shanker Janooji	22	28 10 9	1 4 10	25	35 3 3	1 6 6	21	29 2 0	1 6 2
7	Anand	22	25 10 3	1 2 8	25	28 3 6	1 2 1	21	26 8 9	1 4 2
8	Baboo Narayan	22	29 9 3	1 5 6	20	25 8 6	1 4 5	17	21 0 3	1 4 4

* Less owing to his not having given in time the list of work done by him in the last week of August which was subsequently added to that done by him in September.

† More owing to his minding two machines for a few days for which he received extra wages.

Swadeshi Mills No. 1.

Kurla, 15th November 1926.

SWADESHI MILLS NO. 2

Bombay, 15th November 1926

Memo.

Re the information regarding the *Swadeshi Mills No. 2* supplied by the Textile Labour Union to the Tariff Board.

1. *A comparative statement showing a fall in the wages of the cotton textile workers in Bombay in 1926. Head II in the Annexure A.*—The remarks made in the case of Swadeshi Mills No. 1 apply to this mill also. The figures given in the tabulated statement are not correct and are misleading. The earnings given are of weavers who work on piecework and whose earnings consequently vary from time to time according to the kind and quantity of work they get. No alteration is made in the fixed rates. An amended statement is attached to this from,which it will be seen that whereas the average earning per day of some weavers in August is somewhat less, that of others is more than the earnings during the previous months. Such variations as stated above are bound to occur unless the same sort is worked throughout the year and weather conditions remain the same.

2. *Mills which have reduced the rates of wages in 1926. Head III in the Annexure A.*—The information given is not correct. No changes have been made in the prevalent rates. It must be noted that unlike most of the mills in Bombay, rates in this mill are fixed per piece or pair and not per lb. Such being the case although cloth may be turned out from the same counts rates have to vary according to the dimensions, *i.e.*, length and breadth. They seem to have made a jumble in various ways; for instance in (*a*) dhotie coloured 10 yards, they have put down the old rate at Re. 0-2-9 and the new rate at 2 annas 6 pies, whereas both are old rates but the former is for fancy bordered dhoties where more skill is required than the ordinary nakhi and tape bordered dhoties the rate for which is Re. 0-2-6. As regards (*b*) dhoti plain 10 yards we do not know where they have got this information from as no such sort is turned out at the mills. With regard to (*c*) we do not turn out 40″ fancy bordered dhoties from 40s counts. We have 39″ × 7 yards dhoties and 36″ × 6 yards dhoties ; the rate for the former is Re.0-1-9 and for the latter Re. 0-1-8. These are old rates but the Textile Labour Union seem to have converted the former into the old rate and the latter into the new rate. As regards (*d*) dhoties 27s counts with 25″ × 10 yards we have no such sort working. We have 44″ × 10 yards and 42″ × 10 yards dhoties the rates for which are Re. 0-2-6 and Re. 0-2-5 respectively which the Textile Labour Union have misconstrued into old and new rates. We have no dhoties working of the dimensions given in second (*d*). (*e*) Muslins 40 yards, width 54″, we do not know what sort they refer to. We have mulls 54″ × 19½ yards from 40s and 50s warp for which 7 annas and 8 annas are allowed per piece respectively.

3. *Mills giving spoiled cloth to the workers. Head V in Annexure A.*—The remarks made in the case of Svadeshi No. 1 apply equally to this mill.

4 *Mills using old machinery. Head VII in Annexure A.*—This mill came into our possession in May 1925 and there are some old machines which cannot be said to be in good condition. It is for this along with other reasons that we have decided to close the mills in the course of the next year or so after removing all the serviceable machinery to Swadeshi No. 1 at Kurla.

(Signed) KAVASJI MANOCKJI,
Manager.

THE SVADESHI MILLS Co., LTD. (MILLS No. 2)

Girgaum, Bombay, 15th November 1926

Name	June 1926			July 1926			August 1926		
	Days	Earnings		Days	Earnings		Days	Earnings	
		Per month	Per day		Per month	Per day		Per month	Per day
		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
1. Fazul (Tazful) Hussen	24	46 8 9	1 15 0	26	59 11 9	2 4 9	25	52 12 0	2 1 9
2. Chajjan Imamali	24	53 9 3	2 5 8	26	40 0 9	1 14 2	25	44 8 3	1 12 6
3. Mohamad Karim	24	44 5 9	1 13 6	26	52 5 9	2 0 3	25	54 10 0	2 2 11
4. Manulla Esak	24	40 6 6	1 10 10	26	37 5 6	1 7 0	25	44 6 3	1 12 5
5. Mohamad Sakhavat	24	37 12 6	1 9 2	26	55 10 3	2 2 3	25	49 2 0	1 15 5
All the cases given are Mohomedan weavers.									
Sectional holidays enjoyed by Mohomedan weavers in the month	2			1			0		
Full working days in the month	26			27			25		

THE MADHOWJI DHARAMSI MANUFACTURING CO., LTD.
Bombay, 16th November 1926.

THE MILLOWNERS' ASSOCIATION,
Bombay.

Dear Sir,

Referring to your letter dated the 12th instant, we beg to return herewith the printed evidence of the Bombay Textile Labour Union with a copy of our Manager's observations thereon and a list of wages paid to line jobbers referred on page 5 of the evidence.

Yours faithfully,
(Signed) .....,
Agents.

THE MADHOWJI DHARAMSI MANUFACTURING CO., LTD.
15th November 1926.

THE AGENTS,
M. D. Mills.

Dear Sirs,

With reference to the copy of letter No. 1899/121 of 1926 received from the Secretary, Millowners' Association, dated the 8th instant; regarding the oral evidence submitted by the Bombay Textile Labour Union, we beg to report as under :—

Re comparative statement showing the fall in wages we beg to point out that the statement given by the Bombay Textile Labour Union is not correct. We therefore beg to submit herewith a fresh statement showing the actual wages drawn by the weavers and line jobbers.

Re reduction of wages of line jobbers in the weaving department :—These ought to have been reduced from the time Jacquard fancy chadders commenced working as these give much bigger wages than any other sort. But since all jobbers had not got the Jacquard, the management put it off till all jobbers had uniform numbers of Jacquard and 40 shaft Dobby on the looms for working fancy chadders. We had equal number of Jacquards in the department of all jobbers in the month of June, and in July we put up a notice intimating about the reduction and from August a reduction of 4 per cent. was made with a promise that if we decrease the looms on fancy chadder and if the line jobbers' wages were less than the standard fixed they will be given extra and accordingly they have been given extra for the months of September and October 1926.

Re the reduction of workers in 1926 :—A few men were reduced in the mechanic shop as they had no work on account of the fact that erection and repair works were stopped.

In the spinning department about 100 more men are engaged than are required by the department on account of irregular attendance and these extra men take the place of regular workers who remain absent. These men are not entitled to have anything extra for the work done by them because they are spare hands and regularly paid by the company for the similar work.

In case the number of absentees exceeds 90 we do keep double budli for which they are paid nine annas per day.

We do not collect anything from the employees for medicine or charity, etc.

Yours faithfully,
(Signed) D. A. TATA,
Manager.

THE MADHOWJI DHARAMSI MANUFACTURING CO., LTD.

The list of wages of Line Jobbers and Weavers with 80 per cent.

Ticket No.	Designation	June	July	August	September
		Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1	Line Jobbers ..	..	200 15 9	108 12 3	..
2	Do. ..	..	204 11 0	116 12 6	..
3	Do. ..	..	180 0 0	111 1 6	..
4	Do. ..	..	172 10 3	112 7 6	.
11	Do. ..	..	190 10 0	133 4 6	..
12	Do. ..	..	182 10 3	118 4 6	..
13	Do. ..	..	190 10 0	124 0 6	..
14	Do. ..	..	172 10 0	107 12 0	..
15	Do. ..	..	149 8 9	98 14 6	..
16	Do. ..	..	161 0 6	102 15 3	..
17	Do. ..	..	134 8 3	92 0 6	..
18	Do. ..	..	160 7 6	110 11 9	..
19	Do. ..	..	145 9 6	118 14 0	..
20	Do. ..	..	172 12 9	102 9 6	..
783-84	Weavers ..	78 11 6	77 11 3	64 9 0	46 9 0
797-98	Do. ..	61 5 3	62 1 0	53 13 9	40 11 0

III. Further letter dated the 18th November 1926

In continuation of this office letter No. 1994/121 of yesterday, I have the honour to enclose herewith copy of a reply received from the Khatau Makanji Spinning and Weaving Co., Ltd., to the accusations of the Bombay Textile Labour Union in their supplementary statement submitted to the Indian Tariff Board.

THE KHATAU MAKANJI SPINNING AND WEAVING CO., LTD.

Bombay, 18th November 1926.

THE SECRETARY,
The Millowners' Association,
Bombay.

Dear Sir,

With reference to your letter No. 1899/121 of the 8th instant, we have to draw your attention to the paragraph printed in the evidence of the Bombay Textile Labour Union indicating among other matters that our mill is charging for medical relief and charity and have to say that it is not correct. We are giving medical relief and attendance free to our mill labourers since the year 1918 and as regards charity we do not cut anything from the labourers' wages, but it depends on the labourers to put any money in the charity box which is placed at the pay counter on the pay day.

Yours faithfully,

(Signed) .....

ANNEXURE C

Statement showing the scale of water tax levied by the Bombay Municipality

	Average consumption per annum	Rate per 1,000 gallons	Amount realised
		Rs. a.	Rs. a. p.
1. Properties beyond 500 feet	31,944,450	0 8	16,001 12 0
2. Bungalows with Gardens	154,292,481	0 8	77,876 6 0
3. Bungalows with Gardens and Fountains .	67,202,709	0 10	42,332 5 0
4. Gymkhanas, Lawns, Race course, etc. ..	51,751,090	0 8	25,946 13 0
5. Municipal Properties	131,255,800	0 8	65,627 15 0
6. Laundries and Dhobi Ghats	39,261,450	0 12	29,526 8 0
7. Hotels	48,692,200	1 0	48,692 3 0
8. Building purposes	79,680,630	1 0	78,021 12 0
9. Milch Cattle stables	196,108,770	1 0	1,96,108 12 0
10. Private stables including Livery and Bullock stables.	146,099,600	1 0	1,45,994 10 0
11. Cotton Mills	743,237,710	1 0	7,43,237 12 0
12. Mills other than cotton	163,339,590	1 0	1,63,339 10 0
13. Other Factories, etc.	349,278,030	1 0	3,49,278 1 0
14. Port Trust	553,417,000	1 0	5,53,417 0 0
15. Railways	764,355,510	1 0	7,64,355 8 6
16. Government properties	547,271,050	Varying rates from As. 2 to Re. 1.	3,12,311 7 0
Grand Total ..	4,067,188,070	....	36,12,068 6 6

ANNEXURE D

I have the honour to state that my Committee have carefully considered the question as to where Trade Commissioners might advantageously be stationed for the purpose of developing the export trade in Indian cotton yarns and piecegoods and they recommend the appointment of Trade Commissioners for the markets mentioned below :—

(1) For the development of the trade with Asiatic Turkey, Syria, Palestine, Egypt and the Anglo-Egyptian Sudan a Trade Commissioner with headquarters at Alexandra ;

(2) For the development of the trade with Western Arabia, Eritrea, French Somaliland, British Somaliland, Italian Somaliland, Abyssinia and Aden and Dependencies a Trade Commissioner with headquarters at Aden ;

(3) For the development of the trade with Iraq (Mesopotamia), Muscat Territory, Trucial Oman and Native States in Eastern Arabia and Persia a Trade Commissioner with headquarters at Basra ;

(4) For the development of the trade with Kenya, Uganda, Tanganyika Territory, Zanzibar, Pemba and Portuguese East Africa a Trade Commissioner with headquarters at Mombasa ;

(5) For the development of the trade with the Union of South Africa a Trade Commissioner with headquarters at Durban ; and

(6) For the development of the trade with Sumatra, Java, Borneo, Celebes Phillipine Islands, Siam and Straits Settlements a Trade Commissioner with headquarters at Singapore.

The first task of these Trade Commissioners should, in the opinion of my Committee, be devoted to making a general survey as to the exact needs of the individual countries placed under their jurisdiction, and the possibility of India's mills supplying a greater portion of their requirements. The reports should also include precise information in regard to the customs duties imposed, dock charges, shipping facilities and full information in regard to the facilities available for merchanting.

ANNEXURE E

Letter from the Secretary, Bombay Millowners' Association, No. 1886-121 dated 3rd November 1926

I am directed to ask you to call the attention of the Tariff Board to the fact that the Association was not examined by the Board as to the meaning of Sir Victor Sassoon's statement before the Currency Commission regarding the comparative effect of the remission of the Excise Duty and the rise in the exchange value of the rupee from 1*s.* 4*d.* gold to 1*s.* 6*d.* gold. The attached statement shows the figures upon which Sir Victor Sassoon based the statement made in his evidence before the Currency Commission and the disadvantage suffered by the textile industry with cotton at Rs. 290 per candy. The disadvantage to-day is even greater owing to the fact that cotton is at an even lower price than that quoted in the calculation. My Committee trust that the explanation afforded in the enclosure will be printed in the record of evidence.

I am also requested to point out that the Association was not examined with regard to the recommendation of the majority of the Currency Commission to fix the exchange ratio at 1*s.* 6*d.*; I am, therefore, to take this opportunity of reiterating the Association's conviction that the proposed ratio is calculated to do infinite harm to the industry as pointed out in the original representation of the Association to the Tariff Board and the written evidence tendered to the Currency Commission.

For the information of the Board I also submit herewith a copy of a recent representation to the Government of India on the subject of the exchange ratio.

Allocation of cost on standard shirting (9 lbs. 40 yards) 20s warp and weft, with cotton

	@ Rs. 290			@ Rs. 700		
	Ans.	Percentage		Ans.	Percentage	
Cotton	45·46	37·3		109·82	54·7	
Waste Spinning	6·80	5·6		16·47	8·2	
Waste, Weaving	3·96	3·3	54·8	7·67	3·8	71·9
Insurance, spare parts, etc. ..	3·01	2·5		3·01	1·5	
Stores	7·44	6·1		7·44	3·7	
*On Cost	11·21	9·2		11·21	5·6	
Power	5·82	4·8		5·82	2·9	
Mill Management	5·22	4·3	45·2	5·22	2·6	28·1
Wages	30·93	25·4		30·93	15·4	
Commission	1·91	1·5		3·21	1·6	
	121·76	100·0		200·80	100·0	
Disadvantage at 1/6*d* ..	45·2 of 12½ = 5·65 per cent.			28·1 per cent. of 12½ = 3·51 per cent.		

*On Cost includes the following items of expenditure :—

Salaries of Head Office Staff; Interest charges; Rent, Rates and Taxes; Printing; Telephones; Motor Car expenses; Travelling expenses; General charges; Law charges; Provident Fund charges; Petty Cash, and Postal charges and Muccadamage.

Letter from the Secretary, Millowners' Association, Bombay, to the Secretary to the Government of India, Finance Department, Simla, No. 1715-141, dated 12th October 1926.

I am directed to address you on the subject of the report of the Royal Commission on Indian Currency. The recommendations of the Commission to fix the exchange value of the rupee at 1*s.* 6*d.* gold is what chiefly concerns my Committee at this juncture and it is in regard to this point only that they wish to devote their attention in this letter.

2. In my Committee's opinion the fixation of the exchange value of the rupee at 1*s.* 6*d.* in preference to 1*s.* 4*d.* will continue to militate severely against the future progress of the Indian cotton textile industry in both the home and export trade, for the reasons set forth in the Association's written and oral evidence before the Currency Commission and the Tariff Board now conducting its enquiry into the industry's application for protection.

3. It is not intended to re-traverse the whole of the arguments already put forward by the Association before the two aforementioned bodies as these are already available to you, but my Committee hold that the raising of the exchange value of the rupee to 1*s.* 6*d.* gold and its maintenance at that figure is largely responsible for the present depression in the cotton textile industry of Bombay and the industries of the country generally, and they further believe that the development of the indigenous industries of the country has suffered a very severe set-back owing to the fixation of the value of the rupee at 1*s.* 6*d.* gold in preference to 1*s.* 4*d.* gold.

For your ready reference I quote below the following paragraph from the Association's written evidence before the Tariff Board which epitomises their views in regard to the effect of the 1*s.* 6*d.* ratio on the cotton industry :—

> "It is the considered opinion of the Association that if the sterling exchange were brought down to 1*s.* 4*d.* gold and Japanese mills were made to work one shift not employing women and children at night, then the industry could stand on its own legs and would not require protection. It is a curious phenomenon that all the important industries of this country, *viz.*, sugar, cement, iron and steel and leather, suffer much from the exchange policy of the Government of India and have asked for protection. In the opinion of the Association while the Government of India might be able to save three crores of rupees by keeping the exchange at 1*s.* 6*d.*, they are losing far more by having the industries of the country in a crippled state and not being able to pay income tax and super tax, and as long as artificial management of exchange is continued by the Government of India the industries of the country will have to be protected to get over the difficulties."

4. My Committee further maintain that the severe blow that will be dealt to the indigenous industry of the country by fixing the exchange ratio at 1*s.* 6*d.* instead of 1*s.* 4*d.* will mean considerably diminished revenues for the Government of India under the head of income tax, and will in a variety of other ways more than counterbalance the saving in "home charges" which will be effected by the 1*s.* 6*d.* ratio.

5. The most objectionable feature of the fixation of the exchange ratio at 1*s.* 6*d.* instead of 1*s.* 4*d.*, however, lies not in the detrimental effect it will have on Indian industrial development and future progress which would affect only a small proportion of the population, but in the effect which it will have on the agricultural classes who form the bulk of the population. In the opinion of my Committee the Government of India has not fully realised that the burden of the rise in value of the rupee falls almost entirely on the cultivators of the soil who are amongst the poorest of the poor, and who consume practically none of the goods imported into the country which might legitimately be expected to fall in prices with a 1*s.* 6*d.* rupee. These people are and have been for generations past debtors, and will thus be penalised not only in regard to interest, but on capital also to the extent of 12½ per cent. in addition to the loss they will incur by reason of the lower rupee price realisable for the produce raised on their lands.

This double blow to the income of the Indian agriculturist will obviously restrict his purchasing capacity with consequently unfavourable effects on the industry and trade of the country.

That the process referred to in the previous paragraph has already begun to operate, in the opinion of my Committee, is proved by the fact that in spite of five completed, and the prospect of a sixth good monsoon, there has been a substantial decrease in the per head consumption of commodities.

6. My Committee trust that the Government of India, when deliberating the action to be taken in regard to the recommendation of the Currency Commission to fix the exchange ratio at 1*s.* 6*d.* gold, will give due weight to their obligations to the Indian agricultural classes and Indian industries, and adopt the ratio recommended in the minute of dissent to the Royal Commission's Report.

ANNEXURE F

I am directed to invite your attention to the under-quoted paragraph in an article which appeared in the "Times Trade and Engineering Supplement" dated 11th September 1926 urging the need for revision of the procedure in connection with application for protection under the Safe-guarding of Industries Act :—

"A perusal of the reports of the Committees will tend to show the impossibility of applicants obtaining documentary evidence to prove that imported goods are being sold or offered for sale in the United Kingdom at prices below those at which similar goods can be profitably manufactured in the United Kingdom. Manufacturers know perfectly well that such is the case, but they are not the actual buyers of the products, and the committees require documentary proof which can only be afforded by importers who may be the actual opponents before the Committee.

Another serious complication has arisen. It had previously been thought to be fairly obvious that the basis of comparison on this point was the price which the importer paid to the foreign competitor and the selling price of the English Manufacturer. In a recent case, however, the majority of the members of the Committee appear to have held the view that the basis of comparison should be between the price at which the importer sells and the price at which the home manufacturer sells. It is natural to suppose that however low the price at which the importer buys, he can, as a skilful salesman, increase his profit by cutting even slightly under the price of the British Manufacturer."

In the course of the Association's oral evidence, you had stated that the Association had not adduced sufficient evidence as regards prices of Japanese goods, but the above-quoted paragraph very clearly indicates the difficulties of manufacturers in obtaining data as to prices of foreign imports which compete with the production of indigenous industries. My Committee commend the above-quoted paragraph to you and your Board's very careful consideration, and they trust due cognisance will be taken by your Board of the difficulties experienced by them in obtaining exhaustive information as regards prices of Japanese goods.

MO X 420—25a

ANNEXURE G

Copy of a letter from the Bombay Millowners Association regarding "Toka" land.

I have the honour to draw your attention to the very severe hardship which is likely to be entailed on certain mills which are situated on what are known as "Toka" lands. These lands were assessed in 1879 for a period of fifty years, and the lands become liable to reassessment in 1929. Judging from the compensation which Government claimed and succeeded in obtaining for such of the Toka lands as were acquired by the Bombay Improvement Trust, it would appear that the Toka tenants of Government would have to pay 1,100 per cent. to 3,000 per cent. more as assessment, according to the valuation of the lands, than they are paying at present. The present assessment is 1 pie per square yard while it appears that the revised assessment which will take effect from 1929 will be calculated at 5 per cent. on 4/5 of the present value of the land. The enclosed statement shows what the revised assessment will mean to the mills mentioned therein.

The Association has taken up this matter with the Government of Bombay and has inquired of them on what basis they propose to reassess Toka lands in 1929. No reply has been received from the Government of Bombay as to their intentions, but from the enclosed copy of a letter received from Messrs. E. D. Sassoon & Co., Ltd., it appears that Government intend to reassess these lands on the basis indicated above. This would mean a very severe hardship to the mills concerned, and I am directed to request your Board to bring this matter to the notice of Government, and recommend Government to reassess these lands on a more equitable basis.

(Copy)

E. D. SASSOON & Co., LTD.

Bombay, 13th December 1926.

Ref: No. 318/26841

THE SECRETARY, MILLOWNERS' ASSOCIATION,
Bombay.

Dear Sir,

Toka Tenure

In continuation of our correspondence on the above subject, we append below copy of a letter received by our architects with reference to their application of the 1st April last, to the Collector of Bombay, asking the terms on which Toka land might be converted into a free-holding :—

"*Reconversion of Tenure Toka Land into free-hold.*—Your application, 1st April 1926, I have the honour to inform you that the Toka land cannot be converted into free-hold. If your clients, however, wish to have the land converted into lease-hold or newly assessed tenure, the conversion will be made on payment of rent at 5 per cent. on Rs. 40 per square yard with an allowance for the remainder of the term of the lease would be 99 years renewable at revised rents.

"2. This offer is subject to the sanction of Government and open for acceptance for one month only from the date hereof.

"3. Please let me know if you wish to consider a definite offer on these terms. If so, I will state the full conditions."

From this reply you will see that the contention set forth in our previous letter that Government would, when the present tenure expires, increase the value of the land to Rs. 40 per square yard and on this would charge a rental of 5 per cent. is correct, and we will thank you to make a very strong protest on behalf of ourselves and such other millowners as may be affected against this extortionate increase in assessment. Kindly keep us closely in touch with all developments in this connection.

Yours faithfully,
For and on behalf of
E. D. SASSOON & Co., LTD.,
Agents,

(Signed)
Sub-Manager.

Name of mill	Area of Toca land	Present Toca assessment at 1 pie per square yard	Present value of land (approximate)	Assessment at 5 per cent. of 4/5ths approved value	Remarks
	Sq. yds.	Rs. a. p.	Rs.	Rs. a. p.	
The Swan Mills, Limit ...	650	3 6 2	15 per square yard.	390 0 0	
Do. do. ...	6,508·5	33 14 4		3,940 0 0	
Do. do. ...	442	2 4 10		265 0 0	
The Jam Manufacturing Company, Limited.	8,736·75	45 8 3	40	13,975 0 0	
The Jacob Ellias Sassoon and others.	4,009·71	20 14 2	40	9,415 0 0	
The E. D. Sassoon United Mills Company, Limited.	5,830	30 5 10	30	6,995 0 0	
Do. do. ...	1,737·75	9 0 10		2,080 0 0	
Do. do. ...	21,397	111 7 1		25,675 0 0	
Do. do. ...	3,472	18 1 4		4,165 0 0	
The Moon Mills, Limited ...	1,766·21	9 3 2	15	1,060 0 0	
The New China Mills, Limited.	755	3 14 11	15	455 0 0	
Do. do. ...	21,878	113 15 2		13,125 0 0	
Do. do. ...	122	0 10 2		90 0 0	
Do. do. ...	1,475	7 10 11		885 0 0	
Do. do. ...	1,695	18 13 3		1,015 0 0	
Do. do. ...	5,000	26 0 8		3,000 0 0	
The Jubilee Manufacturing Company, Limited.	818	4 4 2	15	490 0 0	
Do. do. ...	240	1 4 0		140 0 0	
The Bombay Cotton Manufacturing Company.	2,058	10 11 6	30	2,470 0 0	
The Western India Spinning and Manufacturing Company, Limited.	18,742½	100 0 5	30	22,490 0 0	
The Kasturchand Mills ...	814	1 6 7	20	650 0 0	
Total ...	.....	572 13 9	.....	1,12,770 0 0	

Average increase for all the above mills—2,199 per cent.

Witness No. 2

THE AHMEDABAD MILLOWNER'S ASSOCIATION

Written Statement, dated the 26th August 1926

GENERAL OBSERVATIONS

It is well-known that next to Bombay Ahmedabad is the most important centre of the cotton textile industry and owing to its geographical situation it exercises considerable influence on the mills situated in Gujarat most of which are members of this Association. The number of spindles in Ahmedabad is 1,375,000 and looms 36,000 as at the 31st August 1925. Some of the natural advantages which he expected to obtain in this place induced one of its leading merchants R. B. Ranchhodlal Chhotalal, C.I.E., to start the first mill in Ahmedabad in the year 1859. The growth and expansion of the industry since then has proved the city's adaptability to become one of the greatest textile centres in India. It is in the midst of the cotton growing districts of Gujarat and Kathiawar. Good and adequate water-supply can be had either from wells or rivers through municipal pipes. There is an adequate supply of labour also. The finished products of the mills can be conveniently distributed in Gujarat, Kathiawar, the United Provinces, the Punjab and Central Provinces. The drawbacks from which Ahmedabad suffers are the distance of coal mines from Ahmedabad and heavy freight charges for the transport of finished products plus freight charges for stores and coal in the interior. It may further be pointed out that the spinners and weavers required for the industry are mostly drawn from a class of people whose forefathers carried on handspinning and weaving before machinery came into use.

India was pre-eminent in this industry so much so that we used to have a large export trade in the cotton fabrics specialising in finer materials which were renowned all over Europe. In support of this fact the following passage from " Cotton Industry in India and Japanese Competition ", may appropriately be quoted :—

> " Time was when, as one of the European travellers of the early seventeenth century observed, ' there was not a man, woman or child from the Cape of Good Hope to the easternmost islands of Japan who was not clad from head to foot in the products of the Indian looms.' India had for thousands of years a complete monopoly of the world's markets of cotton manufactures, thanks to her skill from days immemorial in the spinning of yarn and weaving of the richest and lightest and most fanciful fabrics. To-day that position is a dream of the past, the vanished past which the children of India remember only to their shame and humiliation. For to-day, the products of Indian looms do not get a chance of supplying the markets even of India herself ! Even in his own home markets,—which in every country with a spark of nationalist sentiment are most zealously guarded for the wares of that country itself,—the Indian producer is beaten at every turn by the foreigner; and the foreigner wins not because of his skill and enterprise, but because he plays with loaded dice ; not because of the excellence or cheapness of his wares, but because of the systematic armament he has evolved in the last generation or so for the exploitation of the weak and the helpless by means of his bounty-fed goods, carried in subsidised shipping, made by sweated labour, and distributed by agents of whom not a few are strangers to any sense of justice, or decency, or commercial morality of the simplest, whose only creed is greed and grab. Every foreigner in India is of course an offender in this regard in some measure, since the Indian market lies helpless at his feet, thanks to the most benevolent policy of free trade in exploitation and laissez-faire in national spoliation, thanks to the special burdens imposed upon Indian industry by stores duties and machinery duties, not to mention water rates and town duties and income taxes. "

This establishes two propositions one being that India used to produce cotton capable of being spun into counts of 100s and 120s and the people possessed the skill of spinning fine yarn and weaving fine cloth. Admitting that the present labour force is inefficient it should not be overlooked that the spinners and weavers are drawn from a class whose ancestral occupation was spinning and weaving.

When other countries like England and America have actively built up their textile industry by special State aids and heavy tariffs, India has hopelessly lagged behind in fostering her great indigenous industry because of the lack of any such aids.

England was forced to levy an import duty of 100 per cent. in order to stop the import of Dacca muslins which competed with machine-made piece-goods and it was only after the trade in finer goods had been killed that she did away with the import duties. America with all her expert knowledge and organisation levied a 40 per cent. import duty on the imported piece-goods in order to protect her spinning and weaving industry in its infancy. Japan has done much the same in different forms. Long ago the Americans saw that their prosperity, *i.e.*, the prosperity of their agriculturists as well as that of the traders and the industrialists lay in manufacturing goods in her own country instead of sending out raw products like cotton to be manufactured in England and other countries. The success of the American policy is witnessed in many directions. The expansion of her textile industry during recent years has been phenomenal. She is no longer dependent on England to get the proper value for her cotton. Her farmers can withhold cotton for months together if the prices offered for her cotton appeared to them to be low. Not only has there been the expansion of her textile industry but the demand created for machinery led to the establishment of machinery works and all the machinery needed was practically manufactured by herself. The treatment meted out to the Indian textile industry here in India needs no comment. It is the darkest chapter in the history of the British connection with India. The currency and the tariff policy of the Government of India hit the industry time and again. Early in the seventies the abolition of Customs duty on British articles in spite of financial difficulties was in pursuance of this policy. Again in the nineties when the depreciation of the sterling value of the rupee forced the Government of India to impose Customs duties on cotton goods the imposition of a countervailing excise duty was thought of. This Association is strongly of opinion that India is capable of producing all the goods she needs only if the Government will not put impediments in her way. As stated above, all the factors for the establishment of the industry are in existence in India, but time and again the policy of Government has come in the way. The present state of depression is mainly due to the exchange policy of the Government of India. Had the exchange been stabilised at 1*s.* 4*d.* the crisis through which the industry has had to pass during the last three years would not have been witnessed. Instead of giving protection to the textile industry the exchange gives an advantage of 12½ per cent. to foreign countries.

It is a notable fact that in spite of various impediments and direct and indirect attacks on its gradual development the textile industry has been established for 50 years but it has not been able to spin and weave over 40s counts of yarn or cloth. Japan started only 30 years back and her expansion has been a phenomenal one. This is not due to any natural advantage she enjoys over India but to the nationalistic policy followed by its Government.

Uptil only five years ago the cotton crop in India used to be only 4 million bales. Owing, however, to the high prices prevailing during the post-war boom and the special efforts made by the Government of India the crop has increased to something like 6 million bales. A Central Cotton Committee has been appointed to improve the growth and quality of cotton. Time and again the Government has been charged in the Council, Assembly and in public with having undertaken these activities for the benefit of Lancashire. Here is an opportunity for Government to justify the claim that the improvement of the quality and quantity has been undertaken in the interests of the cultivator. It is an economic fact that when the supply is greater than the demand the prices obtained by the grower are bound to be proportionately less. Instead of sending cotton all the way from India to foreign countries to be manufactured into finished articles and then re-imported into the country if protection for a few years is granted. India can well manufacture all the supplies she requires. Though the cotton crop has been increased by 50 per cent. in the last five years the increased consumption of cotton in this country has not been more than 5 per cent. This is a lamentable fact and it can only be remedied by the expansion of the textile industry. Further there is the Sukkur Barrage under construct on which will bring under cultivation thousands of acres of land most of it being suitable for long staple cotton cultivation.

Section I

General

1. The depression in the cotton industry is general throughout the whole of India, though it may be unequal in different centres.

2. (*a*) The operation of world factors does not contribute to the present depression. Factors which are special to India are entirely responsible for this depression. (*b*) The exchange and currency policy, foreign competition and heavy taxation. (*c*) Inefficient

labour, local taxation, *e.g.*, water rates, terminal tax and inequitable railway freights pressing heavily on an inland centre like Ahmedabad.

3. The present depression will continue so long as the present exchange policy remains unaltered and no steps are taken to counteract the threatening foreign competition.

4. In case the present margin between the price of raw cotton and the price of yarn and piecegoods does not increase some mills now working may have to be closed down. At present some mills have been compelled to resort to partial stoppage.

5. Some good mills which are undercapitalised and which have built up large reserve funds are making profits, while some are making both ends meet and some are working at a loss.

6. (1) Lower price of raw cotton does not necessarily mean any prosperity for the industry. During the last three years the price of raw cotton has been progressively declining without affording any relief to the industry. (2) Moreover, it does not lessen foreign competition. (3) Fall in the price of raw cotton would adversely affect the stocks already held by the mills.

7. The downward tendency of cotton, yarn and piece-goods has resulted in losses to the merchants and shaken their confidence in the present level of prices. Consequently the stocks they hold are limited and their purchases are on a restricted scale.

8. The fall in the price of cloth has been greater than the fall in the price of cotton in the last few years.

9. The ryots' purchase of piecegoods in money does not differ much from what it was before but is approximately the same as in pre-war times. With the present increased cost of living it has not gone up and to that extent it may be said that his purchasing power has been reduced.

10. No, we do not agree with the view that owing to the lower prices of gold and silver consumers invest their savings in the precious metals and thus restrict their purchases.

11. During the last ten years organisation among the Ahmedabad millowners has steadily improved though there may be room for further improvement. Lack of organisation is, however, not one of the causes of the present depression.

12. The present depression being of the most severe character, has resulted in the closing down of four mills, while nine have changed hands and five have gone into liquidation.

Mills which have changed hands : (1) The India Spinning Mills, (2) The Ahmedabad Cotton & Waste Mills, (3) The Swadeshi Felt Cap & Hosiery Manufacturing Co., Ltd., (4) The Hathising Mills, (5) The Shrinagar Mills, (6) The Zaveri Spinning Mills, (7) The Manor Harkha Mills, (8) Sir Waghji Mills, (9) The Vaso Mumbai Mills.

Mills which have closed down : (1) The Gomtipur Spg. Mills, (2) The Hathising Mills, (3) The Oriental Mills, (4) The Vishnu Cotton Mills.

Mills which have gone into liquidation : (1) The Universal Cotton Mills, (2) The Zaveri Spinning Mills, (3) The Vaso Mumbai Mills, (4) The Gomtipur Spinning Mills, (5) The Vishnu Cotton Mills.

Section II

Nature and extent of competition between imported goods and those of Indian manufacture

13. Ahmedabad had very little yarn trade with China. It is the considered opinion of this Association that the loss of yarn trade with China adversely affects or creates a depression in the piece-goods market. The fall in the exports of yarn to China is due to three main reasons :—

(1) Great expansion of the textile industry in China itself, (2) The successful competition of Japanese manufactures and (3) The currency and exchange policy of the Government of India.

It is true that the expansion of the weaving industry in Bombay has been due to a certain extent to the loss of the China yarn trade, but it is not so with upcountry mills. The expansion of the weaving industry in India has not been commensurate with the progress made in other countries like the United States, Japan and China. Our

Association believes that India is in a position to supply all her requirements of cloth provided she has the support of her Government.

14. The figures mentioned in the statement submitted by the Bombay Millowners' Association clearly show that the present depression in the industry is due to increasing competition both in quantity and price regarding yarn and piece-goods from Japan in particular and other countries in general.

15. Regarding yarn, counts up to 40s.

Regarding piece-goods, dhoties, shirtings, sheetings and chaddars and grey and bleached goods manufactured from medium counts.

17. During the last few years there have been occasions on which imported Japanese yarn and piece-goods have been sold in the Indian market below the cost of the manufacture of the same goods in India. Regular dumping in 2,42s yarn was resorted to in the year 1923 when that yarn was placed into the Indian market at from Re. 1-2 per lb. to Re. 1-4 per lb. while the cost of manufacture for the same yarn in India was about Re. 1-8 per lb. The cotton price during the year 1923 was Rs. 510 per candy when this yarn was being sold from Rs. 1-2 to Re. 1-4 per lb. To-day when cotton has dropped to Rs. 340 the price of that yarn is still from Re. 1-4 to Re. 1-5. Dyers and printers who are called "Chhipas" used to purchase locally all their required piece-goods, but Japan entered into competition by underselling these sorts with the result that local purchases have practically ceased.

18. Ahmedabad mills have little or no foreign markets.

19. To gauge the correct strength of the competition in yarn the surplus available for sale should be taken into consideration with the imports of yarn and not the total yarn production in India. We consider the competition of imported yarn as a serious factor because of the strides made by Japan during the last ten years. Until 1917-18 even the United Kingdom had failed to successfully compete with Indian yarn up to 20s counts, while Japan during the last seven years has been able to place on the Indian market yarn during 1918-21 at an average of 3,747,577 lbs. and in 1922-23 12,365,857 lbs. Further, in counts from 21s to 30s Japan has been able to place on the Indian market an increase from 19,000 lbs. in 1917-18 to 1,750,000 lbs. in 1922-23, directly competing against the Indian yarn trade. We have every reason to believe that Japan will leave no stone unturned to undermine the Indian textile industry, which is the next and the best market for her exports.

20 to 22. We do not accept these figures. It is difficult to determine the extent of the competition from the United Kingdom unless detailed statistics of imported piece-goods are maintained by Government. Our Association believes that the competition with imported piece-goods from the United Kingdom also is increasing daily. It is not possible in the absence of detailed statistics to determine the exact percentage. A very large percentage of the imports of Japanese piece-goods however come into direct competition with the products of Indian mills.

23. We believe that the imports from all the three countries, *viz.*, United Kingdom, Japan and Italy, are likely to increase owing to the exchange being stabilised at 1*s.* 6*d.*, giving an advantage of 12½ per cent. to foreign imports. Further, the depreciated exchanges of Italy and Japan are bound to assist them still further in their export trade Again, India is the principal market for British-made goods and England is likely to put in every endeavour to bring up her exports to the pre-war figures. Regarding Japan, her textile industry has made great strides during the last few years and she can hardly find any other unprotected market except India for the purpose of exports.

24. In our opinion piece-goods imported from Japan keenly compete with the piece-goods imported from the United Kingdom and also with those manufactured in India. This competition is likely to grow more keen in future. The following extract from the July issue of the Indian Textile Journal clearly proves the extent of this competition :—

> "Japan and India in the East and Italy and the United States in the West have, to a great extent, replaced British goods in the world's markets..... In 1912, China received 527 million yards of cloth and 2¼ million pounds of yarn from Britain, and at present the imports from that quarter are 173 million yards and half a million pounds. The imports into India in the year before the war were as a rule between 2,500 and 3,000 million yards, whereas now they do not approach even 2,000 and they are nearer 1,500. As regards yarn also, the corresponding figures are 40 million pounds and 20 million pounds.
>
> "A good part of this trade has been lost to Japan. During the last ten years the value of that country's import into China has increased by over six times. India

used to get only half a million pounds of yarn and three million yards of cloth from Japan in 1913, but now the corresponding figures are 33 million pounds and 155 million yards and these are increasing at a rapid rate."

25. The fall in the Japanese exchange has contributed largely to accentuate the competition of Japanese piece-goods with Indian manufacture. The extent of this competition has been amply proved by the Bombay Millowners' Association in their statement.

26 and 27. The depression in the foreign exchange has materially increased the competition of imported goods with the production of Indian mills. The stabilisation of the rupee at 1*s.* 6*d.* will decidedly give an advantage of 12½ per cent. to the imported piece-goods from the United Kingdom and such other countries whose exchange is dependent on pound sterling over Indian manufacture. Thus foreign competition with Indian production will receive an impetus and the textile industry will be made to suffer.

28. In Japan a great majority of mill labour consists of women and children. Japan also allows women and children to work at night time which is not the case with India. Indian mill labour mostly consists of males and women and children are prevented from working at night. Labour in Western countries is highly organised, skilful and efficient as compared with the illiterate, unorganised and inefficient labour in India, Due to these disadvantages India is not able to introduce automatic and labour saving machinery and consequently reduces her costs of production as is the case with Western countries. As long as this difference in the conditions labour exists between India and other countries the competition of imported piece-goods is facilitated.

29. This question has been fully dealt with in the statement submitted by the Bombay Millowners' Association.

30. It is an admitted fact that exporting houses in foreign countries obtain various facilities in their own countries in the matter of credits. The Trade and Engineering Supplement, London *Times*, July 17th, has a descriptive article of the Government scheme for insurance against bad debts in export trade. These are some of the facilities which exporting houses in the United Kingdom obtain.

As to the facilities obtained by Indian buyers from exporting houses the fact of the credit of 60 or 90 days and even more being granted to importers is too well-known to need any comment. Commodities on the consignment basis are also offered in certain cases. Besides, the warehousing facilities promote the import of foreign goods especially in the case of textiles.

31. Greater attention on the part of suppliers of the requirements of middlemen and consumers in all cases facilitates sales. In the opinion of our Association, however, this factor does not tend to foster competition of imported piece-goods with the Indian products to any appreciable extent.

32. No marked change is noticeable.

33. Yarn from Japan of 30s to 40s and 2/42s counts has practically ousted Indian-made yarn from the home market. The export of Indian yarn to China of counts from 6s to 20s has practically ceased on account of the Japanese capturing that market. Long cloth, chaddars drills, shirtings, are all more or less seriously handicapped in the home market by imports from Japan and other foreign countries.

34 The mass of the Indian population is too poor to afford finer qualities of cloth which are always dearer and less durable than the coarser cloth which they are accustomed to wear. Signs of a growing preference for finer qualities of cloth are not noticeable.

Section III

Internal Competition

35. In our opinion the prosperity of Bombay and Ahmedabad mills has not been affected by the extension of mills or the establishment of new mills in up-country centres. There is scope enough for the industry to expand in order fully to meet the requirements of the country. It is true that the mills in Native States which enjoy a certain measure of protection from their rulers are in a better position to compete in certain markets as compared with those in British India.

36. Bombay enjoys the following advantages:—

(*i*) Being a port it has special transport facilities both inland and overseas.

(*ii*) Being a port it enjoys the advantage of preferential railway freights.

(*iii*) Being a port it has all things laid down at its door thus saving those freight charges which inland mills have to bear on their mill-stores, machinery, etc.

(*iv*) Favourable climatic conditions.

(*v*) It is one of the recognised emporiums of trade affording its mills facility for the disposal of their goods.

(*vi*) Banking facilities.

(*vii*) The presence of the cotton green in Bombay is an undoubted advantage in the selection and purchase of suitable cotton.

(*viii*) It has the advantage of having the alternative of using coal or electrical power.

37. Regarding Ahmedabad :—

(*a*) The advantage of proximity to some of the up-country markets is neutralised by manipulated railway freights.

(*b*) Ahmedabad enjoys no advantages of proximity to coalfields.

(*c*) It is in the midst of a great cotton growing district and to that extent has the advantage of obtaining cotton near at hand.

38. In our opinion the handloom industry is catering for a distinct market of its own and hence we do not think it directly competes with the mill industry. To our knowledge there is no appreciable change.

39. It is most difficult to gauge the production of handspun yarn as the quantity of cotton consumed has always been a controversial question. The same is the case with piece-goods.

Section IV

Mill Management

40. We subscribe to the principle that unless an industry is carried on with reasonable efficiency and economy it cannot claim assistance from Government. We further maintain that the industry in Bombay and Ahmedabad is carried on with reasonable efficiency and economy with a few exceptions here and there, which is generally the case everywhere.

41. It is our considered view that the system of managing agency is best suited to Indian conditions. To our knowledge no industry in India has been built up without the enterprise, financial resources, managing ability and identification of interests of the managing agents. The textile industry both in Bombay and Ahmedabad owes its inception and progress to this system.

42. The system of remuneration to managing agents in Bombay differs from that in vogue in Ahmedabad. In Bombay the remuneration of the managing agents is generally on the profit basis with a fixed office allowance while in Ahmedabad the remuneration is based on sales or production. In Bombay the full amount of block account is raised by issuing ordinary, preference, or in some cases, debenture stock; whereas in Ahmedabad the share capital forms but a small part of the large amount sunk in block account. The entire capital debt and a large proportion of the share capital are financed by the firm of managing agents. In order to obtain this finance the managing agent divides his commission amongst his partners on a permanent basis. For example when a new mill in Ahmedabad is started, a firm of managing agents is at first formed consisting of several partners with an individual styled " managing agent " invested with necessary powers to conduct all the business as laid down in the articles of association and entitled to receive commission either on sales or on production. This agency firm undertakes to furnish the necessary capital required for the concern.

It may be added that in the case of almost all the mills in Ahmedabad there is a proviso in the articles of association requiring the agents to relinquish to the extent of one-third their commission in order to make up a certain guaranteed percentage of dividend which varies from 6 to 12 per cent. But it is customary for agents during lean years to forego even their commission to the extent of the whole amount. It will thus be evident that the industry owes its expansion in Ahmedabad particularly to the adoption of this system which is best suited to the places where capital is shy.

43. Managing agents in Ahmedabad do not receive commission on purchases of cotton, mill-stores, sales of cotton yarn and cloth and on insurance, advertisements or other activities. In some cases the managing agents are interested in the firms doing such business. However it should be noted that mills do not suffer any disadvantages on this account.

44. The association of managing agents with other kinds of business has proved advantageous to all industries in India in general and the textile industry is no exception to it.

Section V

Mill Finance

45. In Ahmedabad the present depression has nothing to do with either over capitalisation or under capitalisation as the mills have been generally started with small capital from their very inception and practically the capital remains the same with most of them.

46. The extension of mills and replacement of machinery undertaken when prices were at their highest do not contribute to the present depression in the industry.

47. The ratio between the amounts of profits and the dividend distributed to the share-holders during the period prior to 1917-1923 was practically the same as before. The present depression has nothing to do with it.

48. The way in which the mills obtain their capital in Ahmedabad is best suited to local conditions.

49. We have no criticism to offer about the way in which the working capital is obtained by mills. The practice of obtaining capital by means of short-term loans is not followed generally in Ahmedabad.

50. To a certain extent the system of investment of funds in allied concerns prevails in Ahmedabad. We consider it to be a sound one provided it is ably handled. This being a form of inter-banking it has materially contributed to the expansion of the industry in Ahmedabad.

51. As more money is required to finance the working of the mills during post-war years owing to high cost of materials greater difficulties in obtaining finance are experienced particularly by those mills who have capital debts and scarce reserves. In view of the high rate of interest offered in Government securities, postal certificates, municipal loans and other debentures, the investors are induced to invest their money in these securities and shrink from investing it in mills, the more so in depressed times.

52. Money is borrowed by the industry in Ahmedabad at rates varying from 5 to 7½ per cent. in accordance with the stability of the concerns. We have no definite information about the rate prevailing in Japan.

Section VI

Cost of production

A—General

53. In our opinion a mill having 25,000 spindles and 600 looms is considered to ensure efficient and economical working in Ahmedabad. The approximate amount of capital required in pre-war times to establish such a mill in accordance with the standard usually followed in Ahmedabad would be about rupees 16 lacs. At present a similar mill would cost about rupees 30 lacs. We regret our inability to quote comparative figures for the United Kingdom and Japan.

54. Most of the mills built in Ahmedabad are to a very great extent conducive to economical working.

55. The use of old machinery does affect the efficiency in mills to a certain extent but this loss is compensated to a certain degree having regard to the present high prices of machinery.

56. Some individual mills have been asked to supply this information to the Tariff Board in the revised form sent to us.

57. In western countries the labour is highly organised and more efficient. They have machinery and stores at their doors. They have suitable climatic conditions. Japan with women and child labour working two shifts a day and with cheap and subsidised freight enjoys advantages over India.

58. This has been dealt with in our replies to questions 36 and 37.

59. Regarding humidity Bombay has a distinct advantage over Ahmedabad. In our opinion Bombay mills can spin a count or two finer from the same cotton and would give better results in weaving both in quality and efficiency. Artificial humidity does not materially help to lower the cost of production.

B—Raw Material

60. In Ahmedabad there is no Jatha where the mills could purchase cotton according to their required selection. Mills usually purchase their suitable cotton from neighbouring districts and from up-country through their buying agents. The usual practice is to make their purchase in cotton during the season and stock the same till the arrival of the new crop. In Ahmedabad there is no facility to hedge the purchases in cotton as is the case with Lancashire. Japan purchases most of her requirements in India from Bombay and up-country cotton growing districts. The Japanese firms have set up their own ginning and pressing factories in some of the cotton districts which assist them in their purchases.

61. The present depression in the industry is in no way connected with the speculative purchases of cotton so far as Ahmedabad mills are concerned. The element of speculation in purchases could be reduced by the facilities afforded by a single hedge contract.

62. In our opinion mills do not make their purchases in cotton at a price higher than that of export.

63. The present depression in the industry cannot be attributed to the purchase of cotton at prices higher than those now prevailing. Ahmedabad mills usually purchase and stock their cotton during the season. However, a fall in the price of cotton at a later stage to a certain limit is compensated for by the better quality of cotton obtained during the season.

C—Labour

64. We fully support the view of the Bombay Millowners' Association that the main factor which has contributed to the increased cost of manufacture is the higher remuneration given to labour for a smaller unit of work as compared with pre-war years. In regard to Ahmedabad monthly earnings per head in 1914 for (1) men, (2) women, (3) big lads and children and (4) all work-people were Rs. 15-7-1 and 9-15-11 and 7-2-3 and 13-9-9 respectively. In 1921 these reached the figure of Rs. 34-2-11, 19-9-4, 18-6-6, 30-2-11 respectively, the increased percentage in 1921 in each case being 121, 96, 158, 122 (*vide* Wages and Hours of Labour, *Cotton Mill Industry*, page 8, published by the Labour Office, Government of Bombay, 1923). In 1921 the average percentage of increase in the cost of living was 73 per cent. over 1914 (Table 23 of the Bombay Association's statement).

The scale of wages in Ahmedabad was reduced by about 15½ per cent. in the year 1923 which is still in force. On the other hand the reduction in working hours from 12 to 10 has resulted in a smaller unit of work.

65. Mills having earned good profits between 1918 and 1921, the operatives were given liberal bonuses in Ahmedabad. In our opinion the present depression in the industry has nothing to do with this.

66. Owing to the reduction of working hours from 12 to 10 the production in spinning suffered proportionately while in weaving it did not go to the extent of that proportion on account of weavers being under the scale of piece work.

67. In Ahmedabad the following figures are applicable in general :—

(*a*) (*i*) Number of ring spindles per frame from 292 to 384.
(*ii*) The number of ring spindles per spinner in Ahmedabad is 146 to 192.
(*b*) Number of looms per competent weaver is two.
(*c*) The total operatives in the spinning department per 1,000 spindles up to reeling.....21.
The total operatives in the spinning department per 1,000 spindles including reeling.....23.
Average count spun is.....24s.
(*d*) The total operatives in the weaving department per 100 looms for grey and coloured goods.....91.

68. The following statement of a mill in Ahmedabad contains the required information :—

Department	Standard Muster 1st April 1910	Standard Muster 1st April 1913	Standard Muster 1st January 1918	Standard Muster 1st January 1919
		Rs. a. p.	Rs. a. p.	Rs. a. p.
Blow-room	*Nil.*	11 8 0	13 8 0	14 8 0
Card-room	*Nil.*	12 0 0	13 8 0	15 8 0
Frame	*Nil.*	13 8 0	22 4 0	22 4 0
Ring frame	*Nil.*	10 0 0	14 0 0	15 0 0
Winders	*Nil.*	....	9 14 0	12 13 0
Weavers .. .	*Nil.*	....	25 0 0	28 9 0
Folders	*Nil.*	10 0 0	10 0 0	13 0 0

Department	Standard Muster 1st February 1920	Standard Muster 1st November 1920	Standard Muster 1st May 1921	Standard Muster 1st April 1923
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Blow-room	18 0 0	19 0 0	25 12 0	27 12 0
Card-room	17 8 0	19 8 0	26 6 0	28 6 0
Frame	27 4 0	27 4 0	30 0 0	32 0 0
Ring frame	20 0 0	28 8 0	28 8 0	31 12 0
Winders	15 3 0	14 7 0	22 12 0	23 8 0
Weavers	26 13 0	26 13 0	39 6 3	39 8 0
Folders	24 6 0	30 7 6	30 7 6	30 7 6

69. The spinners and weavers in Ahmedabad do not receive wages on the scale of weight. As different counts from different qualities of cotton are being spun by mills and several varieties of cloth are being woven with a great variation of size it is difficult to arrive at these figures.

70. Indian labour is very inefficient as compared with the labour in the United Kingdom and other Western countries. The following extract from the *Labour Gazette*, Bombay, July issue, page 1061, gives a rough idea of the comparative situation.

> ".....about the close of the last century, whereas an operative in Bombay worked on an average only 40 spindles, his contemporary in Italy worked 80 spindles, in Alsace 100, in Switzerland and Bavaria 150 each, or approximately 4 times as many as an operative in Bombay. The German operative worked during the same period 170 spindles approximately, whereas an operative in England could manage on an average (in 1887) 333 spindles, or over 8 times as many as an operative in Bombay (1895). There can be no comparison whatsoever between the spindles managed by a single girl operative in the U. S. A.. and those managed by an operative in Bombay. Bombay's '40 spindles per operative' would appear as a drop in the ocean before America's '896 to 1,200 spindles per operative.' "

Labour in Ahmedabad is generally inclined to while away its time in the mill compound during working hours which affects the efficiency.

71. The percentage of absenteeism in Ahmedabad varies between 2 and 3. Usually after pay days and holidays absenteeism is felt to a greater extent. During times of sowing and reaping of the crops absenteeism also increases. It is not possible for us to give separate figures of absenteeism for male and female operatives. Attendance bonuses are being commonly granted to the operatives by local mills.

72. The " badli " system does affect the efficiency of labour to a great extent as the " badli " man whose employment is of a temporary nature does not work with the same zeal and efficiency. For instance, a weaver engaged as " badliwala " gives less production and turns out more damaged cloth.

74. Ahmedabad enjoys better continuity of labour than Bombay. Such bonuses and provident funds are not common here.

75. Increasing efforts to house their labour are being made by Ahmedabad mills as will be evident from the statement attached hereto (Annexure A). Most of the workmen having settled themselves in Ahmedabad do not prefer to leave their Jathas and consequently difficulty is being experienced in keeping the " chawls " occupied by their own labour. Improved housing conditions would result in improving the efficiency of labour to some extent but much depends upon their sense of duty and habits of life.

76. In Ahmedabad there is an institution called the R. C. Technical Institute wherein apprentices having passed Standard V are admitted and given theoretical and practical training in spinning, weaving and engineering. This institution is being conducted on a small scale. It is mostly meant for persons who desire to qualify themselves for the supervising staff. The efficiency of labour could be increased provided labour first received primary education and has subsequently trained in such institutions.

77. We agree with the view of the Bombay Millowners' Association. A reference to " Prices and Wages in India " published by Government is requested.

78. There has been some change in the standard of living of operatives.

79. We do not think there is any scope for a reduction in the labour costs in mills by the introduction of automatic looms as they are not suitable to Indian labour and other conditions. Introduction of automatic looms and other labour saving appliances would not counterbalance additional expenditure incurred thereon.

80. There are no prospects of securing a reduction in labour costs by training operatives to attend to more spindles or looms. We have experienced no improvement in recent years in this matter.

81. The figures mentioned in paragraph 129 of the Bombay Millowners' Association statement are acceptable to us.

82. It is not possible to introduce double shift working in mills owing to insufficiency of labour coupled with the restriction to employ women and children at night time.

83. Working hours having been reduced from 12 to 10 manufacturing costs such as wages, overhead changes, interest charges, etc., have increased proportionately. Workmen's Compensation Act, Smoke Nuisances Act, increase in boiler inspection fee, cotton cess, compulsory maintenance of boiler attendants, etc., also affect the cost of production.

D. Overhead charges

84. Water rate on industrial concerns has been increased five times in Ahmedabad since 1921. This is charged at the rate of 5 per cent. on the valuation at Rs. 5 per square yard of built area for every floor and 10 annas per square yard of open land without taking into consideration the actual cost of mill buildings and premises. In addition to this, water tax is to be paid for the amount of water consumed. The total amount to be paid against this tax is the same as that of the valuation tax irrespective of the quantity of water consumed. The schedule of Terminal Tax on articles used in local mills is given below :—

Statement showing articles chargeable with the Terminal Tax and the rates to be levied thereon by the Ahmedabad Municipality

	Name of article	Rate			Per
		Rs.	a.	p.	
1.	Piece-goods	0	6	0	Bengal Md.
2.	Coal, Coke and Charcoal	0	8	0	Ton.
3.	Cotton	0	0	8	Bengal Md.
4.	Fire Wood	0	3	0	Ton.
5.	Tallow	0	10	0	Bengal Md.
6.	Kerosine and Petrol	0	2	0	Do.
7.	Crude Oil	1	8	0	Ton.
8.	Oils of other sorts	0	4	0	Bengal Md.
10.	Irons and articles of iron	0	1	0	Do.
11.	Miscellaneous articles including jagree, ghee, and butter, milk, cream and mava, rafters and bamboos, brass, copper and other articles of metal except gold and silver and articles made thereof, marble, Mangalore tiles and all other articles except those exempted in Rule 4	0	1	6	Bengal Md.

Statement showing the amount of water rate charged to Ahmedabad mills by the municipality from 1920 to 1924

Year	Compulsory water Tax	Meter charges	Number of Mills
	Rs.	Rs.	
1920-21	27,318	79,978	42
1921-22	54,547	96,409	42
1922-23	1,77,079	1,41,070	65
1923-24	1,99,617	1,37,652	65

85. Buildings, machinery and stocks are insured against loss or damage by fire. Some mills also prefer insurance against civil commotion and loss of profit by fire. Mills also have been compelled to effect insurance for workmen's compensation under that Act. The rates of insurance for upcountry mills are higher by about 25 per cent. than those prevailing in Bombay in spite of the risk being uniform.

86. We consider the percentage of depreciation to be as under :—

2½ per cent. on buildings.

5 per cent. on spinning and weaving machinery.

10 per cent. on dyeing, bleaching and electrical installations.

The depreciation fund is being utilised by certain mills for the improvement of machinery while some utilise it in extensions, though the real purpose of this fund is to effect the upkeep and renewal of the machinery.

Depreciation should be reckoned as a charge on cost of production. The usual practice of mills is in conformity with our views.

87. Different systems are adopted by different mills in valuing their stocks for the purposes of balance-sheets. Some value these at or below market rates and some at or below cost. No independent valuation is made by the auditors. The agents' certificates are accepted by the auditors. Valuation of stocks by auditors would be impracticable as they are not experts in the line and are not in touch with the market prices of innumerable articles consumed in mills.

88. In most of the mills in Ahmedabad there is a practice of annual audit.

E. Sales

89. In Ahmedabad sales are effected through brokers and in upcountry centres through commission agents. We consider this system to be quite satisfactory.

90. The system of sales on long credit is not prevalent in Ahmedabad mills.

91. In Ahmedabad yarn and piece-goods are sold ex-mill delivery. This system was prevalent in Ahmedabad even before 1913. Regarding imported yarn and piece-goods we are unable to furnish the details.

92. Owing to continual fall in the price of piece-goods dealers have incurred losses and consequently they now experience greater difficulties in obtaining finance as compared with pre-war years. This has materially diminished their holding capacity and they are therefore obliged to restrict their purchases. Manufacturers have therefore to keep large unsold stocks with them. It is not possible to gauge the effect of this on the present depression.

F. Transport

93 and 94. It is not possible for us to give these particulars.

95. Ahmedabad and upcountry centres are at a great disadvantage as regards inland railway freights on raw cotton, yarn, piece-goods, and mill stores. Port to port railway freights compare unfavourably with inland rates prevailing in the interior,

It may be noted that the freight from Okha to Ahmedabad is 11 annas 4 pies while from Bombay to Ahmedabad it is Re. 1-1-1 in spite of the distance being the same.

From Bombay to Calcutta *via* Jubbulpore, a distance of 1,333 miles, the rate per maund it appears is Rs. 1-8-1 while from Sholapur direct to Calcutta, a distance of 1,323 miles which is less by ten miles, the rate per maund is Rs. 4-7-2, which is fully three times the former rate. Further from Sholapur to Calcutta *via* Bombay a distance of 1,500 miles, the rate per maund is Rs. 3-0-1, which by the way is subject to arrangement being made for unloading and re-loading goods at Bombay, which is twice as much again as the rate from Bombay to Calcutta *via* Jubbulpore although there is only a difference of 167 miles in the distances. Moreover Bombay, Sholapur, Madras and Ahmedabad, are respectively 957 miles, 1,056 miles, 1,569 miles, and 537 miles distant from Delhi, the rate per maund are Rs. 2-10-3, Rs. 4-0-7, Rs. 4-0-0 and Rs. 1-12-9.

Section VII

Suggestions as to remedial measures

(*a*) *Suggestions put forward by the Bombay Millowners Association*

96. We fully endorse the proposal of the Bombay Millowners' Association for the abolition of the Customs duty on machinery and mill-stores. The difference would work cut from 2 to 3 pies on the cost of yarn consumed in the manufacture of cloth.

97 and 98. This tax has been levied on companies since 1919 at the flat rate of one anna in a rupee which is a great burden on the industry. The following statement will give an idea of the super-tax paid by Ahmedabad Mills during the last five years :—

Year	Amount of super-tax paid	Number of Mills and Factories
	Rs.	
1921-22	22,76,852	51
1922-23	19,34,247	52
1923-24	11,46,906	52
1924-25	3,78,787	41
1925-26	2,82,776	37
Total ..	60,19,568	

Over and above these figures private individual shareholders receiving dividends from companies also pay super-tax. This evidently involves the principle of double taxation.

99 and 100. Facilities of reduced freight for the movement of cotton, cotton yarn and piece-goods manufactured in India are an imperative necessity, especially when the rates have increased on the basis of 1913 to over 50 per cent. Some specific instances are given in paragraph 114 of the Bombay Millowners' Association's statement. The working cost of railways having been materially reduced a reduction in freights is quite justifiable and will have a stimulating effect on the industry.

101. We consider it desirable that the Government of India should negotiate with the steamship companies for reduction in freights from Bombay to Madras, Calcutta, Zanzibar, Mombasa and all other export markets.

102. India being a vast country producing immense quantities of raw materials and finished goods it is necessary that the Government of India should appoint Trade Commissioners to assist the export trade. It would not be out of place to mention here that such selected Trade Commissioners should be Indians fully conversant with different lines of Indian exports.

103. Overseas markets for Indian yarn and piece-goods could be recovered, extended and opened by a grant of special concessions in the form of rebates, cheap railway and steamship freights and reduction in taxation.

104. We concur with the views held by the Bombay Millowners' Association for the imposition of an additional duty of at least 13 per cent. on yarn and piece-goods imported from foreign countries and which compete unfairly with India. We consider that this additional duty should be levied on all yarns of counts 40*s*. and below and on all piece-goods manufactured from such yarns.

105. We favour the imposition of such a duty on a permanent basis.

106. The imposition of this duty may show a slight temporary rise in the price of yarn and cloth but we do not think it would be to the extent of the additional duty. This will ultimately result in the fostering of the home industry and in the long run the consumers would be provided with their home made cloths, benefiting at the same time the country at large.

England with a view to protecting and fostering her home industry against the imports of Indian cloth resorted to rigorous measures, by Acts of Parliament. The following extract from the Indian Textile Journal, July Issue, pages 328 to 329 will throw light on the subject :—

> "The wear of India-wrought silk stuffs and calicoes had become so universal in England at this time and the complaint thereof so loud that it was then thought proper to remedy the aggravating evil. The grievance was brought to the forefront by the rows kicked up by the weavers and consequently a statute was passed enacting that from Michaelmas 1701, all wrought silks, Bengals, and stuffs mixed with silk or herbs of the manufacture of Persia, China or the East Indies, and also all calicoes printed, painted, dyed or stained there should be looked up in warehouses appointed by the Commissioners of the Customs, till re-exported so that none of the said goods should be worn or used, in either apparel, or furniture, in England on forefeiture thereof and also fine of two hundred pounds penalty on the person having, or selling any of them..... An Act of Parliament was in consequence passed to preserve and encourage the woollen and silk manufacture, etc., which absolutely prohibited the wear thereof (calicoes) under the penalty of £5 for each offence on the wearer and of £20 on the seller."

The supposed rise in the price of cloth will have a negligible effect on the cost of living as the consumption of cloth per head is very low.

107. The imposition of this duty would result in greater sales of Indian manufactures and would proportionately displace foreign imports.

108. Internal competition is bound to restrict any unreasonable increase in the price of yarn and cloth all over the country.

109. This question is dealt with in our reply to question No. 106 above.

110. We accept the view of the Bombay Millowners' Association that the raising of the import duty to 11 per cent. has neither raised the price of cloth nor restricted its consumption. The amount of piece-goods excluding handloom production available for the Indian market rose from 2,864 millions of yards of piece-goods in 1920-21 to 3,071 millions in 1922-23 and to 3,535 millions in 1924-25.

111. In our opinion the increase in the duty on imported yarn and cloth would not restrict comsumption. Referring to the figures mentioned in paragraph 121 of the Bombay Millowners' Association's statement we find that the consumption has increased in 1924-25 as compared with all the years from 1907-08 to 1911-12. The high figures for the year 1913-14 are fallacious, as during that year the imports were highest on account of the abnormally low prices of American cotton.

112. So long as India is unable to meet her own requirements in yarn and cloth we do not consider the imposition of duty on yarn or cloth will have any material effect on per overseas markets.

113. In our opinion increase in the duty on imported yarn would not effect the handloom industry. This would give an impetus to the spinning industry in the country which would ultimately be able to supply the requirements of the handloom industry except those in higher counts.

114. We consider a substantial increase in the import duty on cloth and yarn up to 40*s*. count to be necessary. For counts from 40*s*. to 60*s*. a moderate increase and on counts above 60*s*. little or no increase is deemed necessary.

115. We support the view of the Bombay Millowners' Association and consider the imposition of an additional duty from 4 to 5 per cent. necessary in order to enable the mills to make the necessary allowances for depreciation to plant and machinery.

B.—Other Suggestions

116. We are in favour of an export duty on cotton of about 5 per cent. which may be earmarked for the improvement of cotton cultivation. In our opinion such an export duty will restrict to a certain extent inequitable foreign competition and would assist the Indian industry. As long as the world suffers from cotton shortage foreign buyers will have to bear the burden of the export duty. If it be argued that such a duty would reduce the income of cotton growers it may be stated that they would naturally prefer to grow more food-stuffs which would bring down their level of prices. This in turn would reduce the cost of living which consequently would reduce cultivation and labour charges in general. The price of cotton is usually governed firstly by the rule of supply and demand and secondly by American rates.

The price of Indian cotton in overseas markets would not be affected by the proposed export duty as a countervailing adjustment will maintain the equilibrium.

117. The imposition of the proposed duty on cotton would not result in the replacement of Indian cotton by American or other cotton in overseas markets as Indian cotton, differing materially in qualities from American cotton, is generally suitable to foreign buyers for the manufacture of certain special qualities.

118. In Ahmedabad very little banking facilities are afforded to the mills. Ordinary loans at moderate rate of interest should be granted to the mills in lieu of the present system of demanding double securities, with restricted amounts. It will also be to the interest of the industry if such facilities are afforded to cotton growers and cotton, yarn and cloth merchants.

119. It is difficult to ascertain the nature of improvement in the industry by better organisation of millowners. However, any suggestions on this question would be welcome.

120. Progress in spinning finer counts, would favourably affect the condition of the industry but this is rather difficult on account of unsuitable climatic conditions, short staple of Indian cotton inefficiency of labour and such other factors.

121. Indian mills are generally equipped with looms of different width in order to manufacture several sorts of cloth suitable for different Indian markets for differen

seasons. Consequently specialisation of certain counts of yarn and certain types of cloth are not likely to benefit the industry.

122. Ahmedabad mills have already extended and are still progressively extending their range of production to meet the requirements of all the different markets of India.

123. Mills are trying their level best to manufacture bleached and dyed goods. Regarding printed goods it is a question whether that industry would pay having regard to the high cost of specialised machinery and keen foreign competition. Some mills are making experiments to utilize waste and produce hosiery.

124. Ahmedabad mills have given rebates to the merchants on their forward contracts running from 1st December 1925 to the extent of the saving effected by the abolition of the cotton excise duty. The mills would have derived some benefit had there been no inequitable foreign competition thereafter.

125 and 126. We have no further suggestions to offer at this stage on these questions.

ANNEXURE A

Statement showing the number of chawls in local mills

Number of Mills	Number of chawls	Number of rooms	Number of tenements having two rooms
38	76	1,377	18

Witness No. 2

B. Oral Evidence of the Ahmedabad Millowners' Association recorded at Ahmedabad on the 13th September, 1926

The following gentlemen represented the Association :—

Mr. Chamanlal G. Parekh (President).
,, Kasturbhai Lalbhai
,, Ranchhodlal Amratlal
,, H. K. Dixit
,, G. I. Patel (Honorary Secretary).

President.—We should first of all like to know the number of members of the Ahmedabad Millowners' Association ?

A. *Mr. G. I. Patel.*—About 64 at present.

Q. How many of these are outside Ahmedabad ?

A. Four of them, Nos. 50, (The Kadi Laxmi Cotton Mills Company, Ltd.), 51 (The Nawab of Cambay Mills Co., Ltd.), 52, (The New Shorrock Spinning and Manufacturing Co., Ltd.) and 53 (The Sarswati Ginning Mills).

Q. Of these 64 members, 12 are not cotton mills ?

A. Yes.

Q. And of the 52 cotton mills 4 are outside Ahmedabad ?

A. Yes, from 50 to 54 in the list (of Members of the Ahmedabad Millowners' Association)

Q. Is the Sarswati Ginning Mills, cotton mill ?

A. Yes.

Q. How many mills are there in Ahmedabad which do not belong to the Millowner Association ?

A. Five.

Q. So altogether there are in Ahmedabad..... ?

A. Fifty-nine mills.

Q. Of which 49 belong to the Association ?

A. But three or four are closed and they do not belong to the Association and five are working mills but they are not members of the Association.

Q. Forty-nine belong to the Association and five do not ? That is 54 and there are five.....

A. Not working.

Q. Fifty-nine altogether. Taking your general observations first, what publication is this from which you quote—' Cotton Industry in India and Japanese competition '— ?

A. That was published by the Bombay Chronicle.

Q. Are you sure of the truth of the statements made in this quotation that you have given us ?

A. *Mr. Kasturbhai Lalbhai.*—We believe them to be true.

Q. The quotation talks about the ' systematic armament he has evolved in the last generation or so for the exploitation, ' etc. How long has Japanese competition been an important factor as regards India ?

A. During the last eight years.

Q. You would go as far back as eight years ?

A. *Mr. G. I. Patel.*—The statement referred to does not apply to Japan alone. It is a general statement in my opinion. If you will please read it, you will find that it refers to the foreigner as against the Indian producer.

Q. You are referring mainly to Japan I take it. The other source of import is the United Kingdom. You cannot talk about bounty fed goods or subsidised shipping or sweated labour or dishonest agents in regard to the United Kingdom I take it.

A. Those conditions apply to Japan only.

Q. Then you talk about special burdens. This quotation refers to the special burden imposed on Indian industry by ' stores duties, machinery duties, not to mention water rates, and town duties, ' etc. Does not the foreigner pay any of these taxes in his own country ?

A. There is a difference. I do not know whether stores duties are paid by Japan. My information is that Japan manufactures stores and does not import to the extent that we do.

Q. Japan is a protected country and presumably they pay those duties, but my point is, have you any reason to believe that Japan or any other country has not water rates, town duties, etc. ?

A. *Mr. Kasturbhai Lalbhai.*—But the town duty is not there just as it is in Ahmedabad or in Bombay. The machinery duties are not there and there are no stores duties too.

Q. What is your authority for saying that there are no stores duties or machinery duties in Japan ?

A. General information.

Q. Have you got any definite information ? General information is hardly good enough for statements of this kind. Have you any definite information that there are no stores duties or machinery duties in Japan ?

A. No.

A. *Mr. G. I. Patel.*—In regard to Japan I may say that a good deal of stores are made in Japan and they import only a minimum quantity if at all they have to import.

Q. But surely I should have thought from the whole trend of your argument that you would welcome machinery duties in order to encourage the manufacture of machinery in India ?

A. *Mr. Kasturbhai Lalbhai.*—Not at this stage.

A. *Mr. H. K. Dixit.*—It is difficult to get first hand information sitting here. I think a deputation from the Bombay or upcountry mills through the Millowners' Association should go there and actually examine the conditions. Unless this is done, it is difficult to make a definite statement. We know what we gather from general information, that they have very little duties compared with the duties we are paying here.

Q. On machinery ?

A. Yes, they are not high I mean.

Q. Two and half per cent. duty on machinery. You do not call that a high duty ?

A. Their stores are being manufactured there.

Q. The point I am now raising is whether, in view of your general preference for protection you do not consider that stores duties and machinery duties should be welcomed in order to encourage the manufacture of stores and machinery in India ?

A. *Mr. Kasturbhai Lalbhai.*—They will be welcome when the textile industry has reached its full growth. But not at this stage. We will certainly welcome a duty on machinery too when the textile industry, or other industries for the matter of that, have grown fully. At this stage we certainly do not advocate any duty on the import of machinery or mill stores.

Q. Then you refer to England having built up a textile industry by special State aid and heavy tariff. What special State aid or heavy tariff has England had in the last seventy or eighty years ?

A. That has been referred to in our statement. There was a 100 per cent. duty levied on imported fine piece-goods by England.

Q. In 1701 ? That is quite a long way back, isn't it ? What special advantages in the matter of State aids and heavy tariffs has the English industry had in the last 80 years ?

A. *Mr. H. K. Dixit.*—When once a trade is established firmly it does not require any special protection. In the beginning England did her best to encourage the industry and they placed very heavy tariffs.

Q. Your industry has been in existence for 70 or 80 years ?

A. When the industry in Lancashire was once built up they did not require very high tariffs.

Q. The Indian cotton industry has been in existence for 80 years or so.

A. *Mr. Ranchhodlal Amratalal.*—All the while it has been struggling. It has received no protection from the State whereas other countries had full protection from the State in the beginning of their industry.

A. *Mr. G. I. Patel.*—Here is a statement from the Times, that the Lancashire manufacturers who felt the competition of Indian goods induced a movement which led to the abolition of the customs duties in 1882.

Q. I do not think you caught my point, Mr. Patel, which is that the United Kingdom has had no special State aid or heavy tariff in the last 80 years.

A. *Mr. Kasturbhai Lalbhai.*—The real building up of the Indian textile industry began since the year 1894 or 95. Till then if you look it up, the number of looms and spindles in India was extremely meagre, and the statement has been borne out by Sir James Westland when during the debate he said 'I need only say that India as a manufacturing country is not yet out of her tutelage and if any industry deserves protection

it is the cotton industry of India, the only real indigenous industry which has sprung up in this country, an industry moreover on which our present currency difficulties have compelled us in the interests as we think of the country generally to inflict a certain amount of injury'.

Q. What is the date of that quotation ?
A. I think 1894.

Q. In 1894, there were over 3½ million spindles and 31,000 looms. That is not a small industry.
A. Compared with the requirements of India it could not supply even 1/20th of the requirements of India even then.

Q. I do not follow your argument Mr. Kasturbhai, because to-day your spindles are more than twice what they were then and you are now supplying half the requirements of India.
A. Not more than 40 per cent. to the best of my information. We are manufacturing 40 per cent. of our requirements.

Q. If you look at the table on page 80 of the Bombay Millowners' statement you will see for last year you supplied more than half.
A. We manufactured to the extent of about 59 crores.

Q. I am not referring to the value. I am referring to the quantity. Quantity in this case is a better test. Last year you supplied more than half your requirements apart from the handloom production.
A. I am including the handloom production.

Q. Then at least 2/3rds of your requirements were supplied ?
A. What I say is 40 per cent. was supplied by Indian mills.

Q. How do you get that figure ?
A. That has been borne out by figures. If you refer to Mr. Bell's speech it is shown there that 41 per cent. is being supplied by the mill industry, 33 per cent. by the imports and the rest by the handloom industry.

Q. Exactly. Then you are supplying altogether at least 60 per cent. ?
A. If you take handlooms.

Q. But you were talking about 1/20th.
A. That was in 1894.

Q. I do not see how in 1894 you can make it as low as that if you had nearly half the number of spindles then that you have now. However it is not a point on which we need dwell. The point of importance is that you say India is capable of producing all the goods she needs.
A. Certainly.

Q. Where are you going to get the cotton from for counts over 30s ?
A. *Mr. G. I. Patel.*—Where does England get it from ? Can we not get the same similarly if we extend the industry. We can import Egyptian and American cotton.

Q. You can undoubtedly.
A. *Mr. Ranchhodlal Amratlal.*—We have got more natural advantages.

Q. As regards cotton for counts over 40s ?
A. Compared with those countries which have no advantage at all, India stands in a very favourable position.

Q. I am referring to cloth from counts over 40s ?
A. We get cotton from Uganda ?

Q. Only a very limited supply, I think ?
A. *Mr. Kasturbhai Lalbhai.*—During the last five years Uganda has been producing more. Before it was 10 to 15 thousand bales. To-day it has come up to 200 thousand bales. By the time our industry grows I dare say Uganda will be supplying something like seven or eight lakhs bales. There are very many markets from which we can import.

Q. You have no natural advantages in regard to this cotton ?
A. *Mr. G. I. Patel.*—We have our own cotton.

Q. No natural advantages as regards cotton of higher counts ?
A. *Mr. Ranchhodlal Amratlal.*—Now we want counts under 40s. That is the greatest need of the country.

Q. I am not denying that for a moment. I am now referring to the question of the natural advantages you have for spinning finer counts. You consider that you have got natural advantages. It is one of the criteria laid down by the Fiscal Commission that

an industry must have natural advantages. What I wanted to know was what natural advantages you have in regard to cotton for cloth over 40s.

A. *Mr. Kasturbhai Lalbhai.*—We have got endless markets as far as markets go. Indian requirements will be such as to take up all the produce that we produce in India. That is one of the advantages; the second is that we have plenty of labour. The third advantage is that we can certainly get the capital because the industry has enjoyed a certain amount of confidence during the past 20 or 30 years. Again the Sukkur Barrage scheme is in progress and if the scheme is to succeed then we think that the industry must expand; otherwise how could all the cotton that is going to be produced there be used up. We are told that the cotton to be grown there will be long staple cotton and only good for spinning finer counts. If there is any difficulty about cotton the cotton will be supplied by the Sukkur Barrage scheme and the Punjab also is supplying good cotton.

Q. Is there much in the way of cotton for 40s in the Punjab?

A. 285F and 289F are quite good. The technical laboratory has taken a test and they have been proved to be good enough for 40s counts.

Q. Even admitting that, you say in the next paragraph that 'the Government has been charged with having undertaken' the growing of superior cotton for the benefit of Lancashire.

A. *Mr. Kasturbhai Lalbhai.*—Cotton production has gone up during the last five years from 4 million to 6 million bales and more cotton is still going to be grown. Now unless protection is granted to the industry and the industry were to expand and take up the cotton that you are going to place on the market certainly it is to nobody's advantage but that of Lancashire which needs cotton badly.

Q. How much Indian cotton is taken up by Lancashire?

A. To-day it is being taken in very small quantities.

A *Mr. G. I. Patel.*—Lakhs of bales. The continent is increasing its purchases of Indian cotton.

Q. I am referring to Lancashire. How much Indian cotton has been taken by Lancashire?

A. At present it may be taking a very small quantity but Government is making all sorts of endeavours to produce better class of cotton in India and that better class of cotton is very essential for fine counts.

Q. What I am asking is whether you subscribe to the view that the efforts to grow better cotton are for the benefit of Lancashire?

A. Unless Government grants us protection it will be certainly to the advantage of Lancashire and to nobody else's.

Q. But Lancashire is taking very little of that cotton?

A. *Mr. Kasturbhai Lalbhai.*—My point is that we are going to produce better staple cotton and better staple cotton is needed by Lancashire and Lancashire only. To-day Lancashire is certainly taking a very small quantity but that is because the cotton is not suitable for their spinning purposes.

Q. You say Lancashire and Lancashire alone. What about Japan? Is not Japan taking such cotton?

A. Japan may take it.

Q. Then why say for the benefit of Lancashire only?

A. Lancashire needs a much larger quantity of better staple cotton, which Japan does not. Japan may take a very small quantity but it does not need to-day the finer staple cotton or better staple cotton in the quantity that Lancashire needs it.

A. *Mr. G. I. Patel.*—May I add something. Lancashire is more fully equipped since years than any other country in the world to consume better cotton. So we may suppose safely that if there is finer cotton grown, then Lancashire will be the first to take it.

SECTION I

General

Q. You say the operation of world factors does not contribute to the present depression. Has there not been any depression elsewhere, in Lancashire, America or even in Japan?

A. *Mr. Kasturbhai Lalbhai.*—There may be depression in other countries but India would not have had to suffer as much as she has if there had been Government assistance and if the factors that have been brought about by the Government had not been operating in India.

Q. You say that the general world conditions have nothing to do with the depression in India?

A. That is the view we hold at present. If it has, it has very little to do with India.

Q. Don't you consider that the collapse of the boom after the war was due to world conditions as you know that caused a tremendous trade depression in India owing to the fact that dealers in piecegoods bought at the top of the market and were caught when the boom had burst and could not sell the goods. Do you consider that that had nothing to do with the depression ?

A. Again the Government's policy is, as the Indian Merchants Chamber explained, responsible. There were large imports of foreign goods and the merchants suffered heavy losses because of the exchange policy and therefore naturally the Indian industry has also had to take its share in the suffering of the merchants.

Q. Had the exchange policy of the Government no connection whatever with world depression ?

A. We do not think so.

Q. Then it seems very curious that the collapse of the boom in India coincided with the collapse elsewhere or rather followed it at a short distance.

A. To the best of our information, Japan and America have been doing quite well even since the postwar period. Our information is that very heavy dividends have been paid by almost all the Japanese mills. Their average dividend was something like 15 per cent.

Q. Would you call 15 per cent. a very high dividend ?

A. It is quite a decent dividend.

Q. I am glad to know that. Then, you would doubtless consider that an average dividend of 50 per cent. paid by the Bombay mills in the boom period was excessive ?

A. *Mr. Chamanlal G. Parekh.*—At that time they were making profits.

Q. You call 15 per cent. a good dividend. What is your opinion about 50 per cent. ?

A. We are talking of normal times.

Q. In normal times you consider 15 per cent. a good dividend ?

A. *Mr. H. K. Dixit.*—16·4 per cent. was the average. They have declared dividends upto 33 and 50, but the average works out to 16·4.

Q. Where do you get your figures from ?

A From the Textile Mercury.

President.—In reply to Question 4, you say "At present some mills have been compelled to resort to partial stoppage". How many mills are working short time ?

A. *Mr. Patel.*—Not short time but keeping some spindles and looms idle.

Q. How many mills ?

A. Three or four mills.

Q. Only three or four ? Then it is not at all general.

A. Not at all general. Some of the mills have already closed.

A. *Mr. Parekh.*—In Ahmedabad almost all are weaving mills. In the weaving mills I believe they are working fully.

Q. Have you been able to work out for us a statement showing the dividends which have been paid for the Ahmedabad mills for the last five years ?

A. *Mr. Patel.*—We received a letter only three days back and we are preparing the statement.

Q. I think I wrote to you from Simla asking you to let me have a statement similar to the one which the Bombay millowners sent to us.

A. We received the letter only three days back.

Q. I think that was a reminder.

A. I hope to present the statement to-morrow.

Q. The trouble, of course, is that whilst we can get information regarding the Bombay mills from the Indian Investors' Year Book and from "Capital" similar figures are not published for the Ahmedabad mills and so it is not easy to know exactly what they are doing.

A. *Mr. Kasturbhai Lalbhai.*—The importance of Ahmedabad has not been recognised by the public till now.

Q. Have you a stock exchange here ?

A. We have a stock exchange. There are a few who are dealing with forward transactions too.

Q. I suppose that if Ahmedabad had insisted they could have got these particulars published in commercial papers; but they were not particularly anxious to let the world know how well they were doing?

A. *Mr. Patel.*—I think we have prepared this statement and given all the replies properly.

A. I am not thinking of that. I was referring to the fact that your share transactions and other particulars with regard to dividends, etc., are not accessible to the world at large.

A. At least the local papers do publish them. There are two weekly papers here.

Q. We shall be very glad if you let us have a statement how matters stand in that respect. You say "Some good mills which are undercapitalised and which have built up large reserve funds are making profits while some are making both ends meet and some are working at a loss." How many do you put in each category?

A. *Mr. Kasturbhai Lalbhai.*—I think there are about ten or twelve mills which are doing fairly well. There are about twenty mills which are making both ends meet and the rest are making losses. That is our estimate. We have looked to the general condition and that is the conclusion at which we have arrived.

Q. If you let us have the figures of dividends paid for the last five years we should be very much obliged.

A. But dividends are not of very great assistance as far as Ahmedabad is concerned; because if you take into consideration the formation of the mills in Ahmedabad it is on a very different basis from the rest of the world, if I may say so. Though the dividends appear to be large yet on the actual capital invested they will come to a very small figure.

Q. Dividends are after all an important factor. If you could give us a statement similar to the one which the Bombay cotton industry has prepared that would be better still. They say exactly how much has been written off for depreciation, what the net profit was, how much was paid in dividends and so on.

A. *Mr. Patel.*—Yes; we are preparing it and we will submit it in a day or two.

A. *Mr. Parekh.*—In Ahmedabad the original capital is small and the block account is very big. If you take into account the block account, we may be losing.

Q. But your block account has been built up out of past profits?

A. Profits as well as depreciation fund. For instance, the original capital may be only five lakhs and the block account will be forty lakhs. If we are to calculate depreciation, etc., on the block account, I would say that none of the mills can make profit. There may be an exception of two or three, that is those who have big reserve funds and those who have not spent money on block account. There is a mill in Ahmedabad having five lakhs of capital, having a reserve fund not utilised amounting to nearly thirty or thirty-five lakhs.

Q. That goes to show that it had a prosperous time in the past.

A. *Mr. Patel.*—There is a system here peculiar to this place. They start a mill with a small capital and afterwards the total investment which brings the profit works out to a high figure on the small original capital. That is a fallacious idea of having large dividends on small capital. But if you calculate interest on capital account, depreciation on block account, etc., the percentage will be small.

Q. The Bombay millowners argue in that way too, so it would not seem peculiar to Ahmedabad.

A. Not so much there. I am giving an instance of a mill in Ahmedabad, *viz.*, the Shorrock Mills. With 325 shares the total capital is Rs. 3,25,000 and the mill's block account is 35 to 40 lakhs. Now all the money that has been realised out of this 40 lakhs goes as dividends only to 325 share-holders, each share being worth Rs. 1,000. So the dividend may even be Rs. 500. But that does not show that it is a correct idea of calculating the dividends. It is not a real one.

Q. It shows that the mill has adopted a cautious policy in the past and therefore is in a better position to stand present conditions.

A. That applies to a great many mills in Ahmedabad which started with a very small capital and got the profits afterwards.

Q. Then is the position that the Ahmedabad mills, speaking generally are, owing to that policy in a better position to face the present depression than most of the mills elsewhere?

A. Provided they do not extend. If the money were spent on extensions?

A. *Mr. Parekh.*—Some have spent all the profits in extending the mills and some have reserves. If the mill I was talking of were to make about two to three lakhs of profit every year, that does not mean that the mill is making any profit out of the concern.

Having a capital of five lakhs, it can easily pay 40 per cent. dividend out of the interest on 35 lakhs. We cannot say we do not feel the depression if we were to take that into account.

Q. My point was that mills that have adopted this policy are to-day in a better position to face the depression ?

A. *Mr. Kasturbhai Lalbhai.*—To a certain extent they are.

Q. As you probably know if you had studied the newspaper reports every witness in Bombay said that Ahmedabad was better off than Bombay.

A. Unfortunately that is the impression everywhere. But they do not take into consideration that Ahmedabad, as I pointed out in the beginning has been capitalised to a very small extent looking to the capital that has been invested in the block account and therefore the general impression will be such.

Q. I do not think it is altogether based on the dividends you pay on your small capital. I think it is based on general impressions and knowledge of what you were doing here.

A. *Mr. Parekh.*—Not exactly so. We cannot follow that. If one were to say that such and such a mill is paying 50 per cent. dividend, at once you would think that the Ahmedabad mills are doing better. But practically it is not making any profit out of the concern.

Q. Let me put to you a candid question, Mr. Parekh, and I trust you will give me a candid answer. What I would really like to know is, would Ahmedabad ever have applied for protection if Bombay had not done so first ?

A. *Mr. Patel.*—Perhaps at a later stage, if not at this stage.

A. *Mr. Kasturbhai Lalbhai.*—We are backward in that respect. We never take the initiative.

Q. You are not quite so vocal as Bombay ?

A. That is so.

A. *Mr. Patel.*—We are too much labouring with our own affairs.

Q. Do you keep any census of mill stocks here ? The Bombay millowners have given us a census of the stocks they have.

A. We do not keep a regular census, but we once collected the figures last year when it was required to be done.

Q. You have no figures ?

A. *Mr. Parekh.*—No. Here the contents of the different bales are not uniform. Some are 100 lbs. weight and some 300 and so on. We have not a system of packing the full 300 or 350 lbs. When we have stocks, we generally put in small bales of 100 and 150 lbs. and rebale them when we sell. Bombay has got a regular system of packing the bales uniformly.

Q. Do you pack small bales owing to a desire to meet the requirements of your customers ?

A. Exactly. At the same time when we have stocks, we sometimes do not print or stamp the goods and if there is demand, different merchants want different stamps and we deliver them accordingly.

Q. What is your general impression about the present state of mill stocks in Ahmedabad ? Do you consider they are higher than usual ?

A. They have increased during the last two months. Up to June we had no heavy stocks. We were able to finish up certain stocks and we were able to sell the production up to the end of June, but since July hardly any mill is able to sell the production up to 50 per cent.

Q. Why is that ? What is that due to ?

A. No demand. It may be depression or it may be that people are not buying in the monsoon.

Q. Is it due at all to the feeling that the prices of cotton and cloth are going still further down ?

A. Yes. The cotton market is not steady and the merchants are afraid that the prices will go still down and they hold aloof from buying.

Q. Is it your view that the fall in the price of cloth has been greater than the fall in the price of cotton ? The figures of the Bombay Millowners' Association hardly bear that out.

A. *Mr. Kasturbhai Lalbhai.*—If you kindly refer to page 101 of the Bombay Millowners' Association's statement, the price in 1923 of the cotton per candy is Rs. 510. The price in 1926 is somewhere about Rs. 350.

Q. Take it from 1924.

A. I am taking from 1923 because the depression has really started from 1923. If you take the price of cotton in 1923, it is Rs. 510 and in 1926 there has been a drop of Rs. 160 per candy. If you now turn to page 98, the price of piecegoods was somewhere in the vicinity of 22 annas, if you take the average of 1923, while the price in 1926 is 17½ annas. Thus there has been a drop of 4½ annas per lb., while the drop in the price of cotton is about 3 annas.

Q. As I make out the figures, the fall in the price of cloth has been about 22 per cent. and the fall in the price of cotton has been a good deal more than that.

A. These are the figures that have been stated by Bombay.

Q. I am working them out from the figures for Bombay.

A. The price of piecegoods has fallen by 4½ annas while the price of cotton has fallen by about 3 annas per lb.

Q. It is a question of percentage. If you work out the percentage, you will arrive at the result I have stated.

A. I think the percentages have been very many times misleading. In point of fact the price of cotton has dropped by 3 annas and the price of cotton goods by 4½ annas.

A. *Mr. Majmudar.*—What would be the drop in the price of clean cotton ?

A. 3 annas 9 pies.

Q. If you take the average price of cloth in 1923-24 it is 22 annas and in 1925-26 about 18 annas, that means a drop of four annas only.

A. *Mr. Parekh.*—If you were to take the price to-day, the price of cotton is Rs. 318.

Q. Is that for ready cotton or for March or April delivery?

A. Let us take the figures given here.

Q. In order to get at the average price, it is better to take 12 months average.

A. If you take 1926 ; it will come to 17¼ or 17½.

A. *Mr. Kasturbhai Lalbhai.*—There has been a drop of 4½ annas per lb.

Q. Against 3½ annas of clean cotton ?

A. Yes.

Q. If you take 1926 you must make allowance for excise duty. How much does that work out ?

A. 9 pies.

President.—How many pounds of cotton go to make a pound of cloth ?

A. There is a general loss of 20 per cent. if you take the average Indian cotton.

Q. How many pounds of cotton go to make a pound of cloth ?

A. 100 lbs. of cotton will give you 80 lbs. of clean yarn.

Mr. Majmudar.—Taking the size into account, how much yarn is used to produce 1 lb. of cloth ?

A. *Mr. Parekh.*—Such percentage cannot be taken because the price of cloth includes the price for sizing. Mr. Majmudar takes the loss percentage in the cotton. But we are taking the percentage of cloth which includes sizing. The way to compare it is, the drop in cotton is 3 annas and that in cloth is 4½ annas.

Q. It is three annas and a half for clean cotton, and 9·35 pies for excise duty.

A. But you are taking the clean cotton ; you must take into consideration how much yarn we are using in the cloth.

Q. Take out 10 per cent. for that.

A. That comes to ¼ anna or ·35 anna.

A. *Mr. Kasturbhai Lalbhai.*—We say that the depression has started since 1923.

Q. Stores values have gone down since 1923. Coal has gone down ?

A. *Mr. Parekh.*—These statistics were published in June and since June there is a further prop in cloth of nearly 2 annas.

Q. We are going by the figures in the statement.

A. These figures are taken in June and since June there is a further drop of at least 2 or 1½ annas.

Q. The only point is whether looking at the figures we have in hand, it is true that the prices of cloth have gone down much more than the cost of production of cloth.

A. *Mr. Kasturbhai Lalbhai.*—You can work out those figures yourself.

Q. Yes; we have worked them out.

President.—As I make out the figures since 1923 the price of cloth has gone down 23 per cent. and the price of cotton 33 per cent.

A. *Mr. Ranchhodlal Amratlal*—But we cannot work percentages. We should work out 1 lb. of cloth and 1 lb. of cotton.

Q. You have to take the basic guiding figure. It depends on which way you look at this. Different people interpret statistics in different ways. Leaving that point, we go on to the question of organization of the Ahmedabad Millowners. You say that it has improved during the last 10 years. In what directions?

A. *Mr. Kasturbhai Lalbhai*—We have met the strikes for the first time. Until 1918 nobody knew what strikes were. It was in 1918 that the biggest strike took place in Ahmedabad. All of us united together and withstood the strike quite successfully. Since that time we have dealt with many questions regarding labour through our various departments and if you refer to the Bombay Labour Office you will find what splendid work we have done in organizing and overcoming difficulties as far as our labour is concerned.

Q. You had a strike in 1918?

A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. The next one?

A. In 1920.

Q. And the next one?

A. In 1923.

A. *Mr. Patel.*—1923 was the biggest. It lasted for 10 weeks. The strike of 1918 lasted for three weeks and the 1920 strike lasted for about 15 days.

Q. How can your organization be said to have overcome this difficulty about strikes if you had one as recently as 1923?

A. *Mr. Kasturbhai Lalbhai.*—We would have had very many more had we not organised in 1918. Times were prosperous and every day practically there were labour demands in various directions. They wanted sheds for eating purposes. If they did not get them immediately, they would go on strike. On very petty excuses they wanted to strike because they knew too well that every hour meant money for us and therefore naturally they were inclined to strike. Again I think—it is my personal view and perhaps the Honourable Sir Bhupendranath Mitra may bear me out—that the finest organization of labour is in Ahmedabad. They have been very well organized under Mahatma Gandhi, Miss Anasuya and others. They are not political propagandists but sincere well wishers of labour and therefore we have to withstand their attacks in quite a different manner than if they were political propagandists. In one case there was an impending strike when Pandit Madan Mohan Malaviya's assistance was requisitioned and he brought about an end to the strike. It lasted for one day. Had it not been averted by Pandit Malaviya it would have lasted for a good many weeks. Again there have been several organizations. There is the Spinners' Mahajan, Weavers' Mahajan and the growing menace of the big union and all of them came up for settlement of their wages, of their difficulties, of their various requirements and they have all been met by the Ahmedabad Millowners' Association.

Q. In what other directions do you consider that you are well organised?

A. In 1918 I think there was a very great scarcity of hessian for baling purposes. I think it was in your time when you were Controller of Standard Cloth. We were using piecegoods then instead of hessian in order to cover the bales but it was not a satisfactory means of doing that. Therefore we all combined and sent up our agent to Calcutta and he made direct purchases from Calcutta and sent it up to the Millowners' Association, Ahmedabad, who distributed it to all the mills, thus resulting in great benefit to the mills because it was very much cheaper and the needs of the mills were met. Again in 1916 or 1917, I do not remember the date exactly, there were two or three occasions on which there was a great shortage of supplies of coal. The Ahmedabad Millowners' organisation was working and they sent in indent orders on the Coal Controller at Calcutta, got the rakes from him and distributed the coal to all the mills to the satisfaction of almost all the mills, which naturally resulted in great economy.

Q. Are you doing anything in that line now, in the way of co-operative purchases or anything like that?

A. *Mr. Parekh.*—We are not required to do that. At that time we were compelled At that time it was not a question of price, it was a question of getting the stuff.

A. *Mr. Kasturbhai Lalbhai.*—As recently as last year, in 1925, when there was this very great depression there was a big strike in the Bombay mills but we averted a big strike here. Practically there was unanimous opinion amongst the members that we

should also close down because the stocks were very heavy on our hands at the time. We waited on H. E. Lord Reading regarding this cotton excise duty. All of us decided that we should close down rather than run at a loss. This step we did not take but we decided to wait. We decided that none should cut prices from what they have been ruling at on a particular day. We decided that nobody should cut the ruling price for at least a month to come. Almost all the members loyally carried out that. It had a very great effect. That was in 1925. So you will see that whenever any opportunity or occasion has arisen we always stood by each other and tried to meet the situation.

Q. But are you actually doing anything now beyond collecting information ?

A. *Mr. Parekh.*—When any necessity arises we do.

A. *Mr. Kasturbhai Lalbhai.*—Now in regard to railway freight, we are going to take it up and place it before the Railway Rates Advisory Committee.

Q. I should like to have a few more particulars about these mills which have closed down, changed hands and gone into liquidation. I can find very few of them in the list issued by the Bombay Millowners' Association. The India Spinning Mills is a mill of 14,000 spindles and 300 looms, I understand. When did it change hands ?

A. *Mr. Parekh.*—In 1921. That mill was started in 1920.

Q. If it changed hands in 1921, that had nothing to do with the present depression.

A. In 1922. But at that time the mill had only been started for a short time.

Q. You cannot say that it had anything to do with depression surely ?

A. Certainly not.

Q. When did the Ahmedabad Cotton and Waste Mills change hands ?

A. In 1925.

Q. That is a spinning mill with 21,300 spindles and no looms. That changed hands last year ?

A. Yes.

Q. For any special reason ?

A. *Mr. Patel.*—It made heavy losses. It is a spinning mill.

Q. The Swadeshi Felt Cap and Hosiery Manufacturing Company. I cannot find that in the list.

A. That was a small mill started sometime during the war time.

Q. It has never been shown in the Millowners' list ? Did it ever start work ?

A. They were doing some stray work of manufacturing *pugree* cloth. That was sold sometime in 1924.

Q. How many looms had they ?

A. At present 200 looms.

Q. Why is not that shown in the list ?

A. They were not members of the Association. Probably it was started by a Mohamedan gentleman and it was in a small village near Ahmedabad.

Q. Not actually in Ahmedabad ?

A. *Mr. Kasturbhai Lalbhai.*—In the suburbs of Ahmedabad.

Q. Started in the war ?

A. 1920.

Q. The Hathising Mills is another spinning mill with 19,552 spindles. When did it change hands ?

A. *Mr. Patel.*—In 1923.

Q. Before the beginning of the depression ?

A. *Mr. Kasturbhai Lalbhai.*—The depression really began in July 1922.

Q. It could not have been very severely felt by 1923. Could you say that this mill changed hands owing to the depression ?

A. *Mr. Parekh.*—Yes, this mill was never in a very good position. If the mill was not in a proper condition even in the war, naturally it could not stand. So it had to change hands. There was no alternative.

Q. When did the Shrinagar Mills change hands ?

A. Sometime in December 1923.

Q. That is another small mill with 215 looms ?

A. Yes.

Q. What does it make ? Cloth from fine counts ?

A. *Mr. Kasturbhai Lalbhai.*—Coarse, 20s to 40s. It is a weaving mill.

Q. Does it weave fine cloth ?
A. *Mr. Patel.*—Yes.

Q. The Zaveri Spinning Mill is another small weaving mill ?
A. *Mr. Parekh.*—About 550 looms.

Q. 500 are shown here. When did that change hands ?
A. In 1924.

Q. One of the first mills to be hit by the depression ?
A. Yes.

Q. The Manor Harkha Mills ?
A. *Mr. Patel.*—That is in Nadiad, not in Ahmedabad.

Q. That is another small spinning mill with 12,848 spindles. When did it change hands ?
A. *Mr. Ranchhodlal Amratlal.*—In 1926.

Q. Sir Wagji Mills ?
A. *Mr. Parekh.*—It is in Wadhwan. We have taken the mills in Gujerat and Kathiawar.

Q. Where is it in this list ?
A. *Mr. Ranchhodlal Amratlal.*—It will be in the Presidency list.

Q. I cannot find it there. How many looms and spindles has it ?
A. *Mr. Parekh.*—350 looms and 18,000 spindles. But that did not change hands owing to depression. It was before that. It was in 1920.

Q. Then it should hardly have been included in this list ?
A. *Mr. Ranchhodlal Amratlal.*—It is included in the list because it has since then changed hands and that is due to the depression.

Q. I should like a little more evidence on that. Mr. Chamanlal has just now said that it did not change hands owing to depression. Where is it shown in the list ?
A. *Mr. Parekh.*—Is it under Native States ?

Q. I cannot find it. Is it the Wadhwan Camp Mills ? If so, it has 13,339 spindles and 225 looms. It is now in the hands of a Receiver. Is it in the hands of a Receiver owing to depression ?
A. *Mr. Patel.*—We think so.

Q. There is a little doubt about it ?
A. *Mr. Ranchhodlal Amratlal.*—No.

Q. I understand from Mr. Kasturbhai.....
A. *Mr. Kasturbhai Lalbhai.*—I have no knowledge about those mills.

Q. The Vaso Mumbai Mills are now called the Rustom Jehangir Vakil Mills, and have 11,352 spindles and 250 looms. The mill changed hands in 1925 ?
A. In the beginning of 1925 or the end of 1924.

Q. The Gomtipur Mills have 9,300 spindles. When did they close down ?
A. In 1924.

Q. The Hathising Mill ?
A. *Mr. Patel.*—For about two years it remained closed down.

Q. Is it closed now ?
A. It has just begun to work for a few weeks.

Q. Hoping for better times ?
A. Perhaps he might be making a bigger loss by keeping it closed.

Q. What is this Oriential Mill called now ? It is not shown in this list ?
A. It was built in 1920. It was a member of the Association in 1923.

Q. It never worked ?
A. Due to depression it could not work.

Q. It never got any further ?
A. It has been recently sold.

Q. The Vishnu Mill ?
A. It was closed down in 1926. That is a spinning mill.

Q. Where is that shown in the list ?
A. *Mr. Ranchhodlal Amratlal.*—It is called the Ahmedabad Vishnu Cotton Mills.

Q. It has 7,922 spindles ?
A. Yes.

Q. The Universal Cotton Mill ? That has gone into liquidation. I find it has 260 looms. Do you really think that any of these mills was of a size which in these days of keen competition had any chance of ever being a success in any conditions except in the abnormal conditions arising out of the war ? What chance has a mill of 260 looms without any spindles ?

A. *Mr. Patel.*—The Gomptipur mill was working day and night till 1926.

Q. I am asking whether a small mill like this with 260 looms and no spindles can be efficiently worked ?

A. There are some of the same size which do work economically.

A. *Mr. Parekh.*—Formerly all mills in Ahmedabad were started with 14,000 spindles. There are certain mills with 300 looms making good profits in normal times.

Q. Pre-war ?

A. Yes pre-war times.

Q. But conditions have changed since then. The mills in Bombay and here have gone on expanding and they have got to face competition from bigger mills which obviously have less overhead charges and are able to reduce their cost of production.

A. In pre-war it was the same case.

Q. Do you think that these mills would probably have survived even if there had been no depression and that the competition of more efficient mills would have compelled them to close down, go to liquidation or change hands ?

A. I do not follow.

Q. Even if there had been no depression, would not the competition of other mills on a larger scale and therefore able to effect greater economies in production have compelled them to close down or go into liquidation ?

A. *Mr. Kasturbhai Lalbhai.*—It is quite possible that they might have fared badly even without depression.

Q. The view I would put to you is, that this looks rather a formidable list of mills at first sight, but when you come to examine individual mills it is difficult to point to any mill that could be put in the first or second class and to say that here is a good mill, which, owing to depression, had had to close down, change hands or go into liquidation.

A. That would never be the case in Ahmedabad because the identification of the agents with the mills is such that till the last that mill will be kept running because of the help of the agents.

Q. But if you were to get a really deep depression would not mills be bound to go ?

A. There are two resources on which the mill can rely. One is the great profit that has been made during the war time. Another prop in Ahmedabad is the prop of the agent who identifies himself with the interests of the mills and therefore you will find that the list is small when compared to Bombay or other centres.

A. *Mr. Patel.*—I might give an instance. The Ahmedabad Industrial Mill has 330 looms only. Still it is doing fairly well compared with other mills.

Q. If it is doing well, why cannot the others ?

A. There may be different circumstances.

Q. What difference in circumstances ?

A. They may not have large reserve funds as this mill might have got. Each is to be judged on its merits.

Q. Exactly. We have to judge by general conditions and the position is that if one mill with 330 looms can do well at a time which you have described as a time of deep depression, it would seem to follow that these mills could hardly have closed down on account of depression.

A. There were differences in circumstances. As I say this mill might have certain other circumstances which favour it and the others might not have those circumstances.

Q. We want to know what those circumstances are ?

A. Mr. Kasturbhai just explained that those which were perfectly identified with the management might be in better circumstances.

Q. It comes to this—that a mill efficiently managed, even if it is only a small mill, can stand a depression like this ?

A. It depends on the identification of the agents, the degree of identification.

Raja Hari Kishan Kaul.—Can you say as regards these mills which have closed down or gone into liquidation that any of them was being run on lines which you say form

the general practice in Ahmedabad. Some of these mills which have closed down were certainly badly managed.

A. *Mr. Parekh.*—Not badly managed.

Q. Some say they were even dishonestly managed.

A. But none of these were so. Those are quite different.

President.—You left the mills to which the Raja is referring out of the list on that account ?

A. Yes.

Raja Hari Kishan Kaul.—There are other mills which failed on account of dishonesty etc. ?

A. Yes.

Q. There are mills which have closed down owing to various reasons. Some had been weakened before the depression and the depression was the last blow which knocked them out. There are others which were not managed on the lines which you have said is the common practice in Ahmedabad.

A. The financial help from the agent was not so good.

Q. Do I understand that all these mills which failed were run on the lines which you say is the common feature here ?

A. *Mr. Kasturbhai Lalbhai.*—The point is that had they the two props, the stability of the mill and the financial help from the agent they would not have gone into liquidation.

Q. Do I understand that the financial assistance of the Managing Agent can only be of avail when there are large reserves at the back of the mill ?

A. Certainly not. I can give you an instance in which the mill was in a very bad position and still was financed to an extent that you will not hear of in any part of India or in any part of the world for the matter of that.

Q. So that either the Mill Agent's influence or the reserves at the back of the mill can prevent disaster such as happened to these mills ? You say if these two factors had existed then these mills would not have come to grief ?

A. Yes.

Q. I ask you whether both these factors must co-exist ?

A. Not both. If one of the factors did exist, the mill would have carried on for some time. If both were there, it would not have come to grief.

Q. These mills had neither the one nor the other ?

A. I say there may be good position as long as the mills were running. But they may have been obliged to suffer because the assistance did not come forth from the agents.

Q. As a matter of fact, was it that neither of these factors existed in the case of these mills ?

A. We do not know exactly why they came to grief. What we feel is that they have been obliged to close down or go into liquidation because of the depressed times. We won't present such a list as this unless the times are very depressed. Generally in Ahmedabad you will hardly find a mill or two that has been obliged to close down or go into liquidation in normal times.

Q. They would never have closed down during the boom times ?

A. During normal times you won't find more than a mill or two going into liquidation or obliged to close down.

Q. That is a theory. We want to go into actual facts. We want to make sure of the causes which led to their downfall.

A. They would have been able to withstand the depression had financial help been forthcoming from the agent's side.

Q. That was not forthcoming ?

A. Exactly.

Q. Evidently they had no reserves.

A. Yes.

Q. Just one question about these world factors. Don't you think the fall in the price of cotton and in the price of cloth is a world factor which has affected all countries alike ? Is not the continual fall in the price of cotton a world factor which has affected all countries alike ? There may be certain world factors and certain local factors peculiarly affecting India. You suggest that there are no world factors ?

A. I mean ordinarily the fall in the price of cotton should have helped the industry instead of creating a further depression.

Q. If it was not accompanied by a fall in the price of cloth.
A. Quite so.

Q. But there has been a continuous fall in the price of cotton as well as in the price of cloth although the degree is disputed, whether the fall is so much more or less. But there has been a continuous fall ?
A. Yes.

Q. Do you not think that is a world factor ?
A. Certainly not, because there would not have been such severe depression had the merchants not suffered loss on account of the exchange muddle.

Q. Do you call that a factor which particularly affected India ?
A. Yes.

Q. But you cannot deny that this has been a world factor.
A. Certainly. Had there not been the exchange muddle then we maintain that the prices of piece-goods would not have fallen to the extent they did and therefore India would not have been affected.

Q. By the subsequent fall ?
A. The imports have been very great during those two years 1922-1923. I think that there is a surplus of imports of 44 crores than what India can consume and the effect of it cannot be wiped off within 6 to 12 months. But it will take two years to consume the extra stocks that have been imported during the high exchange prices.

Q. Assuming all that to be correct, the state of the market being such as to lead to depression, ever since the prices of cotton have been falling, the prices of cloth have been falling and you have admitted that there are no buyers and there is no demand. Therefore the depression goes on increasing. If the prices of piece-goods had gone up or supposing the prices even of cotton had gone up, if the cloth produced from cotton at higher prices and which was lying on hand could have been disposed of at better prices, there would have been some relief.
A. *Mr. Kasthurbhai Lalbhai.*—There has been a period during these two or three years when the price of piece goods has gone up and still you do not find any relief to the textile industry.

Q. Was not there a slight relief and did not the market improve when there was a slight difference in prices ?
A. No.

Q. Whenever the prices rose, you were able to dispose of the goods more easily.
A. Quite so.

Q. There was some temporary relief ?
A. Quite so.

Q. You said that Japan was making great profits. Was not there a crisis in Japan in 1921 ?
A. Only because of the earthquake.

Q. 1920-21 ?
A. *Mr. Ranchhodlal Amratlal.*—We do not know whether there was any depression then.
A. There was.

Mr. Subba Rao.—You spoke just now about the large imports of cloth into India during the period of exchange troubles. Are you aware of the quantity imported, apart from the value ?
A. *Mr. Kasthurbhai Lalbhai.*—Yes.

Q. It was 1,491 million yards and if the quantity were so much in excess there should not have been large imports soon after that. If the imports had come in too much they would not in the year next but one import a much larger quantity. They imported in the year following 1,079 million yards. You wanted two or three years to work off the surplus ; but in 1922-1923 they imported 1,577 million yards. How do you explain that ?
A. It is not the quantity of yards you have to consider but how much in money value India is capable of consuming. I think we have made a point that India has not been able to take up in money value. She may be able to take up in yards.

Q. Have you any reason to believe that the quality in the later years was lower than that in 1921 ?
A. Certainly not. Lower prices do not mean lower quality. The price of cotton may be falling.

Q. That is also possible. But unless you say the quality was very different or unless you get distinctly lower prices you will have nearly the same aggregate value. In any

case you get a certain quantity of cloth in one year and very soon after you get a considerable amount of imports and in recent years, the values are about 66 crores. They are almost the same for the last three years or so. The imports in the later years more or less correspond to the imports in the earlier years. Therefore it did not require two or three years to work off the effect of the large imports, but it required one year.

A. It required two or three years because it hit the Indian industries and therefore those imports were replacing the Indian products. This depression is the result of that.

Q. Then you ought to find in the later years smaller production in India ?

A. If the depression continues, the Indian production is bound to fall.

Q. It has gone up. The figures in the Bombay Millowners' Association's statement, Table 16, show that in 1922 it was 1,752 million yards, in 1923, 1,725, in 1924, 1,701 and in 1925, 1,970. Later on in the statement, Table 16, you find the exports of Indian goods and I suggest that the very large imports of one year did not affect fresh imports very soon after, nor did they affect the amount of production in India.

A. I just pointed out that those imports were larger than India was capable of consuming, even offsetting or meeting all the losses incurred by the merchants. So naturally as far as the consumer is concerned he has been consuming practically to the same extent or to a slightly larger extent than his natural requirements. If the 44 crores worth of these goods have been more than India could normally consume they have been met by the losses incurred.

Q. There must have been losses if they imported much more than could be absorbed. But I was only wondering whether your statement of the duration of this trouble was quite accurate. You seem to give it much longer time than the trade conditions seem to show.

A. *Mr. Parekh.*—I understand that the reason why imports have not fallen comparing last year is this. It is the general practice of merchants that once they have paid at higher rates and they get at cheaper rates later on, they will go on purchasing and they do not know it till the end of the year. So it will not have the effect in the next year.

Q. It had effect the next year but not afterwards ?

A. That may be due to the orders placed in 1925.

A. *Mr. Patel.*—That is due to the fluctuation in exchange. Therefore there is a difference in the total of imports during the later years. The average imports from all countries were 60 crores. In 1921 they imported 102 crores. They had an excess then. After that in 1924-25 it was 70 crores. Again the exchange shifted from 1*s.* 3*d* to 1*s.* 6*d.* and the result was that the imports again went up to 82 crores. So they had 40 crores over and above what the mills produced here.

Q. But my point is that even subsequently the imports did not fall. If the stocks were too large, there should not have been any great demand for imports in the later years ?

A. The English importing warehouses and others were the principal importers.

Q. Would they import large stocks of goods merely to warehouse them here without being sure of the market ?

A. That is not likely.

Q. I merely suggest that the duration suggested is not borne out by the figures. Now in supplementing the answer to Question 5 you said, Mr. Kasturbhai, that about 10 or 12 mills are making profits and 20 are making both ends meet and the rest losing. Am I to understand that only 12 mills are showing a profit ?

A. *Mr. Kasturbhai Lalbhai.*—The others too may be showing profit. There is the gross profit and there is the net profit. So whatever profit they may be showing may not be quite sufficient to meet the depreciation charges.

Q. On what do you pay income-tax ?

A. Net profits.

Q. Therefore if any firm is paying income-tax it shows that it is making a net profit ?

A. Yes.

Q. Do you mean when you speak of the 12 mills that they only earned interest or had reserve funds or made profits generally on production ?

A. Made profits generally.

Q. Will you please turn to your reply to Questions 97 and 98 of your statement ? There you show 37 mills as making profits which are assessible to super tax. Does it quite tally with your figure of 12 mills which are making profits ?

A. No.

Q. Therefore you were somewhat modest in your estimate of mills making profits? You are more prosperous ?

A. *Mr. Parekh.*—We made it clear practically speaking about the block account.

Q. Most of you do not take into account interest on reserve funds ?

A. *Mr. Ranchodlal Amratlal.*—The question is what you mean by profits.

A. *Mr. Patel.*—These figures are for income-tax for the year 1925-26. That means it is on profits for 1924.

Q. Is it not on the average for three years ?

A. No. These figures of super-tax are only for the year 1924. They are on the profits of 1924, and assessed on the profits according to the balance sheet of 1924 December.

President.—Is there a different financial year for income-tax purposes ?

A. Yes.

Q. Not up to the end of March ?

A. No ; up to the end of December 1924.

Mr. Subba Rao.—Have you got figures for 1925 ?

A. No.

Q. To what period did your figure of 12 refer ?

A. *Mr. Parekh.*—We are taking the present day figures. We are not taking the past figures.

Q. For that, have you got the figures ?

A. *Mr. Patel.*—No ; we are giving the estimates for 1926.

Q. How ?

A. *Mr. Parekh.*—The question was with regard to the present time. The question is whether the mills are making profit in these days or not.

Q. Are your figures ready now ?

A. No. It is the general impression.

Q. One question about organisation. Am I to understand that you organise only when there is a pressing need and otherwise do not feel the need for working together ?

A. *Mr. Patel.*—We are always working together. It depends on the nature of the questions that come before us.

Q. Otherwise you do not have anything like common working ?

A. *Mr. Parekh.*—You mean for the purchase of cotton, stores, machinery, etc.?

Q. Yes.

A. No ; it is not possible.

Q. You do not consider it desirable to organise yourselves normally ?

A. It is desirable ; but not practicable.

A. *Mr. Kasthurbhai Lalbhai.*—We said we have organised and there is scope enough for improvement. During the last ten years organisation has been working and there may be room for further improvement.

Q. May I suggest that organisation for export trade is one which you have to contemplate ? Why have you not thought of that possibility ?

A. As long as we have the home market, we do not think it is desirable to go out of India and meet the requirements of the foreign markets. Every country will first look to the native place and to supplying the demand there before she can think of exporting.

Q. It is your opinion that the export trade is not so important as the home trade ?

A. It is important, after the home trade is satisfied.

Q. Will that ever be satisfied ?

A. If you decide on giving protection we shall be satisfying it within six months or a year's time.

Q. Then you will think of export trade ?

A. It may be there side by side. But the home trade is more important now.

Q. Is not production on a large scale one way of making sure of the home market also ? That is, if you produce on a large scale and sell also in the export market you will be able to reduce the overhead charges. That is one way of making sure of the home market. You cannot have them in watertight compartments.

A. *Mr. Dixit.*—It is very risky to send our goods outside. We prefer to see that the goods are sold in our own place as far as possible. We cannot risk our capital.

Q. Where is the limit? You do not want to go beyond a radius of a few miles?
A. We are sending goods to Cawnpore. What I want to say is, we do not know what kind of agents we will have in export markets. It is taking greater risk.

Q. That is precisely why you want joint action.
A. We are thinking of doing that.

A. *Mr. Majmudar.*—I have been looking into the production of yarn and I find that formerly, that is, in the year 1925-26, in counts above 40s you have produced 21 lakhs of lbs. That means you have doubled your production; whereas in 21s and 30s you have gone up from 36 millions to 47 millions. In 31s to 40s you have gone up from 4 millions to 5 millions. How is it you have increased your production 100 per cent. in counts above 40s and your progress in the other counts is not equally high?
A. *Mr. Kasthurbhai Lalbhai.*—Recently a mill or two have been started specially for finer counts in Ahmedabad and therefore the production is growing.

Q. In what counts?
A. Anything from 30s to 100s.

President.—Which mills are those?
A. The Calico, the Bharatkhand, the New Textile.

Q. They are not new mills?
A. The Calico had 40,000 spindles. They have had 30,000 spindles put in which are for finer counts. They are importing Egyptian and other cotton and spinning finer counts and therefore we have been maintaining that if protection is granted we shall be able to keep pace with the demands of India.

A. *Mr. Majmudar.*—You say that in 1925 you had to fix the prices of piece-goods. was that?
A. In September. There was a very great depression. The Bombay mills had not closed down. We felt the depression. We thought we could not go on like that and therefore we had to close down or do something in the matter. Partial closing down was not thought economical. Therefore we thought of somehow making both ends meet. Just in the meanwhile the Bombay strike came about and even then the prices were falling. So we decided now that the Bombay mills have closed down it might give relief and we decided not to cut our prices further. The price cutting policy, we thought, should be stopped at least for a month. Those prices that were ruling on a particular date were fixed up and no mill was to sell below those prices for a period of one month from that date.

President.—In other words you agreed, in the mills belonging to your Association, to maintain prices at that level for a month?
A. Quite so, and if need be to extend that period after reviewing the situation.

Q. Why is not that being done now?
A. It may be that the depression has not been felt so severely as it was felt last year—last year at this time.

Q. There has been an improvement during the last year?
A. I would not say improvement. There are moments when one comes to this agreement. If you had asked the same question only a few weeks before we decided on that policy, nobody would have agreed to that. As long as we continue to carry on we do not like these things. Again this time the whole situation is very much changed. Last year the price of cotton was not falling to the extent it has been falling this year. If to-day we are to hold up stocks and resolve upon not to cut prices further, then we may be incurring much heavier losses than we would have done last year; because the American crop has been reported to be very hopeful. The Indian crop is going to be a fairly big one.

Raja Hari Kishan Kaul.—You could do so only when the Bombay mills were closed or would you also do so when the Bombay mills were working?
A. It would not be desirable to do so when the Bombay mills were working.

A. *Mr. Parekh.*—At that time the prices of cotton were showing a higher tendency and if this year we were to resolve on that policy we shall have to accumulate stocks and suffer. Last year, we had not good monsoons. We were not expecting good crops. So we all resolved it was better not to undersell each other and cut the prices and that was the reason then. If this year we were to resort to that system we will be losing heavily. Further last year another help was the Bombay strike.

Mr. Majmudar.—How many months' production had accumulated in September 1925?
A. *Mr. Patel.*—About three months.

Q. This year by the beginning of September you have two months' accumulation?
A. Yes.

Q. Therefore it means that the accumulation of the stock this year is a normal accumulation ?
A. Not normal.

Q. Last year you had this accumulation. Perhaps every year in June and July the cloth does not move, it being the dull season.
A. In the month of Sravan we usually get the demand. But this year we did not get it in Sravan.

Q. In 1925, in July and August you did not get any demand ?
A. No.

Q. The same thing has happened this year.
A. *Mr. Parekh.*—Of course it is generally in these months there is a little demand ; but we expect this demand again by the month of August. But this year we did not get that. This year there is no demand even from Calcutta wherefrom we used to get demand at this time of the year.

Q. So although the first half of September has passed there is no demand ?
A. No.

Q. That may be due to the late rains ?
A. We cannot say that.

Q. In any case it is not unusual as compared with last year's experience ?
A. *Mr. Kasturbhai Lalbhai.*—During the last two years that the depression is going on, practically the same conditions have had to be faced.

Q. Then you refer to the organised work that you are doing on behalf of the Association. If my impression is correct you collected about 3 to 3½ lakhs of rupees for doing welfare work for labour ?
A. Yes.

Q. And you are giving the interest on that to the Labour Union ?
Mr. Patel.—Yes ; for labour schools.

President.—You have got a definite fund for welfare work as an Association?

A. *Mr. Parekh.*—No ; it is not the Association. It is a separate fund altogether. Certain members have subscribed to that.

A. *Mr. Patel.*—The fund lying in the name of the Committee is about 2 lakhs and 85 thousands.

Mr. Majmudar.—The whole amount of the interest is given to the Labour Union ?
A. Practically the whole.

President.—The Labour Union actually spends the money ?
A. Yes, they run 32 schools. They send us rough estimates.

Q. What is the membership ? How many operatives have yet got here altogether ?
A. *Mr. Patel.*—About 60,000.

Q. How many of them belong to the Labour Union ?
A. It is mentioned in their report. All the figures are being given in the *Labour Gazette.*

A. *Mr. Kasturbhai Lalbhai.*—The influence the Labour Union wields over the other section of the labour population—it is not the membership of the union—is very much greater than what one would think.

Q. Speaking generally in regard to this question, would it be your view that labour here is much better organised and therefore from the employers' point of view more easy to deal with than it is in Bombay ?
A. *Mr. Kasturbhai Lalbhai.*—Yes

A. *Mr. Patel.*—It cuts both ways. Sometimes when there is a great strike we have greater difficulties and sometimes the settlement also is easy.

Q. In any case, the better organised the labour the easier it is to deal with.
A. *Mr. Patel*—Yes.

Mr. Majmudar.—You said that the Ahmedabad mills were not able to take out the monthly stocks in bales. Would it not be possible for them to give this in pounds ?
A. *Mr. Parekh.*—Yes, it will be possible.

Q. Taking the total number of pounds in stock you can convert it into bales ?
A. I cannot say.

A. *Mr. Kasturbhai Lalbhai.*—It will do.

Q. Did any mills close down or go into liquidation between 1900-1913 ?

A. In 1910 there were several mills in liquidation.

Q. Was that period of depression worse than this ?

A. Not worse than this. There was great depression in 1908, 1909 and 1910. They were years of depression and in 1910 there were half a dozen mills which closed down or went into liquidation.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

President.—Do I take it from your answer to Question 14 that you consider the present depression is due entirely to increasing competition from outside ?

A. *Mr. Kasturbhai Lalbhai.*—Not entirely. It has to do very largely with the present depression. One cannot fix the ratio or percentage.

Q. What are the other causes ? There may be the loss suffered by the merchants during the last two or three years which may have resulted in their buying capacity being reduced. There may be the falling prices which may have resulted in the merchants losing confidence or the consumers for the matter of that. Do you consider that the increase in competition of yarn and piece-goods from Japan in particular is one of the main, if not the most important, cause of the depression ?

A. That is so.

Q. In these circumstances has your Association ever taken the trouble as an Association to keep a record of the Japanese goods which are coming into this country, a record of their prices and an analysis of their quality ? If you consider the competition of Japanese goods is so important as you now state, how is it that you have no record of the prices or qualities of these goods ? You have been unable to furnish us with any samples of the goods that you are up against.

A. We know the chief kinds which are competing against our goods, the extent to which they have been competing with us and that has been recorded, I think, in our reply? Regarding yarn it is counts up to 40s.

Q. I am now referring to piece-goods.

A. Regarding piece-goods we mentioned dhooties, shirtings, sheetings, etc.

Q. You mention certain kinds, but have you kept a record of their prices or qualities ? Have you analysed them ?

A. We have not got regular records but we have obtained prices of certain sorts which come into direct competition with Ahmedabad goods. Ahmedabad mills used to manufacture what we call *Seton*, a kind of piece-goods which was being sold here. They were manufactured from 16s warp and 14s weft.

A. *Mr. Parekh.*—Sheetings.

A. *Mr. Patel.*—When we were selling at Re. 1-4-0 Japan sold at Re. 1-2-0.

Q. When was this ?

A. Last year. Now it is being sold at 14 annas when our manufacturing cost is about Re 1-1-0. Then there is a large section of dyers called chhipas, dyers and printers who used to buy our goods.

A. *Mr. Kasturbhai Lalbhai.*—Up till recently they used to consume a very large quantity of Ahmedabad mill-made cloths just as mentioned by Mr. Patel. They used to dye and sell it to various villages. Now that market has been totally lost to the Ahmedabad mills because of the competition of the Japanese mills. Now they purchase wholesale Japanese goods. We are not able to stand in competition with the Japanese to the extent of even 10 per cent. Practically the whole market was at our door, is at our door even to-day, and still we cannot compete with them because they are underselling us. These dyers and printers buy locally the mill-made cloth, dye it and sell it to the villagers. They dye into various shades of colours and sell it to the villagers. Instead of purchasing from us they are now purchasing Japanese goods.

Q. Is that not possibly due to the fact that they are of better quality and more what they want ?

A. *Mr. Patel.*—No, I think they are much cheaper.

Q. Is it only a question of cheapness ?

A. *Mr. Kasturbhai Lalbhai.*—Recently I was manufacturing some cloth which I was selling to these chippas but I have been ousted since the last three months. Up to

a certain time we tried to compete with Japan but we could no longer stand it and we had to stop it.

Q. What was the difference in price between your goods and the Japanese goods?
A. Rupee 1 to Rs. 1-8-0 a piece. When we were selling at Rs. 12 they were selling at Rs. 10-8 0. When we were selling at Rs. 13 they were selling at Rs. 11-8-0—a difference of Re. 1 to Rs. 1-8-0. In this sort which is placed before you the difference is Rs. 2.

Q. I should like to see some of your qualities which compete against this.
A. I think you saw these qualities in the Asoka Mills when you went there. This piece was being sold in 30 yards and 24 yards and the rate was Rs. 8 and the Japanese sold at Rs. 6. About 20,000 bales of this type manufactured by Ahmedabad mills are being sold.

Q. Where?
A. All over India.
A. *Mr. Kasturbhai Lalbhai.*—It is a very large quantity that they had been selling. In the year 1924 I think we had practically a monopoly of this quality. Now we have practically ceased to manufacture it.

Q. Is this 16s and 14s?
A. It is 16s warp and 20s weft. It is a fact that they have ousted us in these tw qualities.

Q. This is shirting. What is the other one?
A. Printing cloth.

Q. Shirtings and sheetings. These are the two great lines. As regards yarn you say there is regular dumping in 2-42s yarn. Why do you call it dumping?
A. Because we were being undersold. It was not being sold at the cost of manufacture. When we cannot manufacture we cannot understand how they can manufacture it at that price. The difference in price that has been given by us will at the very sight convince you that it is dumping. It could not be anything else. There could not be such a big difference as 4 annas a pound in the cost of manufacture.

Q. What do you make 2-42s yarn from in India?
A. Either from Cambodia or Uganda.

Q. You have to get your cotton from long distances?
A. Not necessarily. Cambodia can spin quite good 2-42s.

Q. But Cambodia has to come a long way?
A. We get it by the steamer route, not by rail.

Q. From Tuticorin?
A. Yes, the freight per candy comes to Rs. 20 I think or Rs. 22. That is my recollection.

Q. The freight on cotton from Bombay to Japan is considerably less than that?
A. That is why Japan has been competing with us. They have been all along maintaining that.

Q. The point we are discussing is how it is that Japan has been able to dump as you call it this 2-42s?
A. Because the difference is 4 annas per pound.

Q. Do you know how many spindles the Japanese spinner looks after?
A. Yes.

Q. How many does your spinner look after?
A. 160.

Q. Your spinner looks after 160, whereas the Japanese spinner looks after 240. Is not that sufficient to account for a difference of four annas in addition to the double shift working?
A. The cost of manufacturing 2-42s yarn will not be more than 6 annas per pound.

Q. The cost of manufacture will be?
A Six annas in India.

Q. And in Japan?
A. At the most 5 annas 6 pies.

Q. Then the double shift working makes very little difference?
A. By working double shift they save interest charges and overhead charges.

Q. I thought you were referring to the total cost of manufacturing yarn ?
A. As far as India is concerned.

Q. Including interest and depreciation ?
A. No depreciation.

Q. Including interest any way is it 6 annas a pound ? In Japan you say that it would be less than 5 annas 6 pies ?
A. Or 5 annas. It would not be 2 or 3 annas.

Q. In spite of double shift working ?
A. *Mr. Dixit.*—It is not possible for us to know the Japanese costs. It is difficult for us to ascertain.

Q. That is not how the discussion started. I asked you whether the fact that a Japanese spinner looks after 240 spindles as against 160 in India might not make a difference of 4 annas a pound ?
A. It is bound to cost them much less than in India of course.

Q. I asked you what sort of difference looking after 240 spindles against 160 would make ? You can give me some idea of that I suppose ?
A. *Mr. Kasturbhai Lalbhai.*—It may be 5 annas.
A. *Mr. Parekh.*—We cannot produce under Rs. 1-8-0 when Japan can sell the same at Rs. 1-2-0. We say that the Japanese were selling at Rs. 1-2-0 to Rs. 1-4-0. That very yarn could not cost us below Rs. 1-8-0. There should not be a difference of 4 annas only in manufacturing cost. There must be some other factor.

Q. Is it Rs. 1-4-0 now ?
A. Rs. 1-5-0.

Q. Then the severity of the Japanese competition has abated. It is not so strong now as it was then ?
A. Not so strong as it was then. In 2-42s it is not so severe as it was in 1923.

Q. Have you any idea as to why that is so ?
A. Perhaps they have got a market in China or elsewhere where they are carrying on the same operation.

Q. *Mr. Dixit.*—Possibly because exchange is not in their favour now.
A. *Mr. Kasturbhai Lalbhai.*—To-day if we make it from Cambodia it will be Rs. 1-3-0 and from Uganda it will be Rs. 1-4-0.

Q. You are holding your own at the moment ?
A. Yes.

Q. Some mills use imported yarn I believe. You say "that to gauge the correct strength of the competition in yarn the surplus available for sale should be taken into consideration with the imports of yarn and not the total yarn production in India", but there are mills in India which use imported yarn. You have got several of them here ?
A. Yes, we have.
Q. So the interest of the Association are not entirely unanimous in regard to imported yarn.
A. They are to a very large extent. Of course there are a few weaving sheds which will not desire the import duties being raised on yarn.

Q. We will go into that later on. I understand Mr. Patel is here in a double capacity. What sort of statistics are you referring to when you say it is difficult to determine the extent of the competition from the United Kingdom unless detailed statistics of imported piecegoods are maintained by Government ?

A. I mean general statements have all along been made that as far as the United Kingdom is concerned there is only 5 per cent. of the imports which compete with India. We do not subscribe to that statement. Unless there be proper statistics as to how much cloth imported from United Kingdom is made from 20s to 30s and 30s to 40s it is difficult to say. We ought to know the counts particularly and reed and pick if possible.

Q. I entirely agree with you. It is the only way to ascertain the extent of the competition. It is a little difficult to see how you are going to do that. We will go into that when we get to Question 114A. You have not answered that question ?
A. *Mr. Patel.*—No.

Q. Why have you not ?
A. We will be giving our reply orally.

A. *Mr. Kasturbhai Lalbhai.*—It is not an easy question to answer.

Q. We shall be glad to have your general views. In any case, I think the view you put forward here is perfectly sound, that it is only by a detailed examination of the imports that come in that you can determine the extent of the competition. You talk about the depreciated exchange of Italy and Japan. In what way has the Japanese exchange depreciated ?

A. *Mr. Kasturbhai Lalbhai.*—It was at 153. It went down to 107. Naturally their exchange depreciated.

Q. Why have you singled out Japan ?

A. Because we feel our chief competition is with Japan.

Q. You talk about depreciated exchange. How can you describe the Japanese exchange as depreciated when it is practically at its full gold parity at the moment ?

A. *Mr. Parekh.*—Since the last two or three months. It was 115 three months back. Since the enquiry began I understand the exchange has been above 115.

Q. It was 129 in April, before this enquiry was even contemplated.

A. But in May and June.

Q. 130 in May and 129 in June. It is going steadily up and it is practically at its gold parity. How can you call it a depreciated exchange ?

A. *Mr. Patel.*—I think that was the case till the end of 1925.

Q. We are not dealing with 1925. Your representation was not put forward in 1925 but in August, 1926.

A. But in framing our replies we have taken into consideration a period of about two to three years. At present as the Tariff Board is making this enquiry we are afraid that Japan will probably work in a manner which will prejudice all our case and perhaps in future the same old policy might be adopted by Japan. There may be a temporary difference at present.

Q. I do not think anybody believes seriously that Japan is rigging her exchange as the result of the appointment of this Board. Don't you think that the reason why the Japanese exchange has gone back to gold parity is that the Japanese like every other nation in the world are anxious to get back to a stable exchange ?

A. Yes, I think so.

Q. What I really want to know is how Japanese exchange at 133 as it is now can be called a depreciated exchange. Do you consider that the English exchange is depreciated ?

A. Quite so.

Q. Would not that show that Indian exchange has appreciated ? Would you call an exchange based on correct parity with gold a depreciated exchange ?

A. It is a debatable point. The majority of Indian economists have called the 1*s.* 6*d.* exchange a depreciated exchange from the Indian point of view.

Q. If you use words in their exact meaning how can you single out the Japanese exchange as a depreciated exchange ? Is the Japanese exchange at the present moment any more depreciated than the English exchange ?

A. No.

Q. Or the American exchange ?

A. No.

Q. Or the exchange with any other nation in the world which has a stable exchange ?

A. No.

Q. Why have you singled out Japan as a country which is in a special position in this matter ?

A. Because our chief grudge has been against Japan all along.

A. *Mr. Patel.*—And because of our past experience of Japan in this matter.

President.—You refer to certain warehousing facilities. You say "Besides, the warehousing facilities promote the import of foreign goods, especially in the case of textiles." What are these special warehousing facilities ?

A. They keep in the warehouse goods for six months if the importer desires to do so and it depends upon the buyer who places the indent. The indentor can get his goods, keep them in the warehouse for six months without investing any capital and, can call upon the goods in small lots by paying to that extent.

Q. What is your authority for that ?

A. I have been importing lots of yarn from England for my own business. My experience is based so far as the imports from England are concerned.

A. *Mr. Parekh.*—It is the same thing with Japan.

Q. Why cannot the houses here do it if they can do it ? You say "the warehousing facilities promote the import of foreign goods."

A. They are not required to buy for regular cash.

A. *Mr. Patel.*—Suppose the market is favourable today. Then I take 50 packages. At least I am not required to invest for three months. Whenever the market is in my favour I can draw on those goods by paying at that time.

Q. There is nothing unfair about the grant of these facilities. You do not argue that, I presume.

A. It works unfairly.

A. *Mr. Kasthurbhai Lalbhai.*—We do not get these facilities from our Government.

Q. It has nothing to do with the Government.

A. Exchange banks are allowing for the Japanese manufacturers.

Q. We are talking of the warehousing facilities. It has nothing to do with the banks.

A. Unless the banks give the money, how is it possible ?

Q. They have got to pay interest.

A. But one does not get money, here even by paying interest. That is the difficulty.

A. *Mr. Patel.*—If I order about 100 packages of piecegoods or yarn, when these goods are shipped the bill of lading and all the necessary papers are handed over by the shipper, to the exchange bank which advances to the extent of 70 or 80 per cent. Now when the goods arrive here I do not take delivery of a single package and yet that money remains locked up. Whenever I pay that account is settled. The exchange bank is an intermediary which finances the whole transaction on behalf of the shipper or the manufacturer. That is not possible with us in India. That is the greatest facility where a man can do a lot of business.

Q. I do not understand how you can apply that to the internal trade.

A. If we are manufacturing for our own country and we want to sell our goods to our own people, these facilities afforded by the exchange banks to the foreign traders stand as an impediment to us.

Q. Then it is a question of your giving facilities to the people to whom you sell.

A. Where are the banks to offer facilities, to advance money?

Q. There are quite prepared to advance money on goods.

A. *Mr. Kasthurbhai Lalbhai.*—The most conservative policy is followed even by the Imperial Bank today.

Q. The Imperial Bank is prepared to advance money on hypothecation of goods plus the signatures of the managing agents.

A. Something like 40 or 50 per cent.

Q. I understand up to 70 per cent.

A. *Mr. Parekh.*—They ask the merchants for another 25 per cent. the next day if the price goes down.

Mr. Patel.—Subject to renewal every three months.

Q. You cannot blame a bank for adopting a cautious policy.

A. *Mr. Kasthurbhai Lalbhai.*—It is a conservative policy. The banks are anxious in other countries to assist the industries and the various traders. It is not the case in India.

Q. In reply to Question 31 you say 'Greater attention on the part of suppliers of the requirements of middlemen and consumers in all cases facilitates sales." But how is it that you think that this does not make any appreciate difference as regards the competition of imported piecegoods ?

A. Because the Indian consumers looks first to the price and then to the other factors.

Q. Supposing a man who has gone in for cotton piecegoods finds that he can get some thing rather better from Japan at a not very much higher cost and that a man who has gone in for British piecegoods finds he can get much the same quality from Japan at appreciably lower cost, won't he turn to the medium class of goods which the Japanese are supplying ?

A. He may.

Q. Don't you think that in that case it is the greater attention on the part of the Japanese exporters to the requirements of the Indian consumer which has enabled them to compete to such an extent in the Indian market ?

A. But we are always prepared to meet the requirements of our customers. Any requirements are always looked into very carefully and as far as possible we are trying to

meet them. We do so much regarding packing, stamping and other things that in Ahmedabad traders have thier own trade marks on particular goods to which the mills attach their stamp even.

Q. That I know. But my present point is different. Looking at the figures for the production of yarn, you see that the quantity of yarn produced between 30s and 40s is very small. Is it not so ?

A. Yes.

Q. The total is 20 million pounds out of nearly 700 millions. Therefore it follows that the quantity of cloth from 30s to 40s manufactured in the Indian mills must be very small. Does it not ?

A. Yes ; it does.

Q. Do you agree that the greater part of the Japanese goods which come into this country are between 30s and 40s, shirtings and sheetings ?

A. Our experience has been that they have been competing with us in coarser counts.

Q. I can only say that our experience, so far as it goes—and we are making as exhaustive a study of Japanese cloth as we can—, is that the shirtings at any rate are practically all between 30s and 40s ; and therefore the point I am now coming to is, whether it is not possible at any rate that Japan is meeting the requirements of India for a class of goods which have neither been manufactured in India or have come from the United Kingdom ?

A. The United Kingdom has always sent in goods from 30s to 100s.

Q. Not very much between 30s and 40s ?

A. I cannot say unless there are statistics. But our experience is that the United Kingdom is always making 30s and 40s and 40s and 60s.

Q. At any rate, even if that is so—and such information as we have got at present seems to point to the fact that by far the greater part of the United Kingdom's goods are of counts of above 40s—even if that is so, does it not show that the Japanese imports are hitting the United Kingdom imports more than the Indian production ?

A. No ; certainly not.

Q. If you are not turning out counts between 30s and 40s to any great extent, as you are not, and if the greater part of the Japanese goods that come in are between 30s and 40s, does it not follow that they must be hitting the United Kingdom goods ?

A. But if we are not turning out between 30s and 40s, it is because that does not pay. If it were to pay us we would certainly turn out 30s and 40s and we have been maintaining all along that we are capable of turning 80s and 100s.

Q. From imported cotton ?

A. Yes.

Q. But there has been no progress. Japanese competition is a recent thing. There was no progress previous to that in the manufacture of finer counts.

A. How can that be, when Government all along tried to attack us in one direction or another. The whole history will convince you of that. Taking it from the year 1870 to the blessed year 1925, our voices were hoarse before we could get the cotton excise duty off.

Q. I do not see what that point has to do with the question of finer counts.

A. Because the United Kingdom had established markets in India and in order to compete or to place our goods on the market was difficult. Given protection and getting ourselves established in the markets for a few years, we shall be able to stand on our own legs. Unless there is some sacrifice in the beginning for a few years it is difficult. Our funds are not such so as to permit us to suffer losses to the extent of a few crores in the beginning.

Q. The industry has done very well in the past.

A. Only in the coarser counts.

Q. But have you got the cotton ?

A. Where does England get cotton from ? She gets from America. We have got the market here ; we have got every other facility.

Q. Have you got the labour ?

A. Of course we have. We shall train them. During the war period we have been making some profits. We have given Rs. 3,00,000 for educating the labourers. Similarly there have been various activities for the betterment of labourers. All that can be done if the mills are prospering. If they are not, labour cannot be organized.

Q. If it is correct that the yarn coming from Japan from 30s to 40s has practically ousted Indian-made yarn from the home market as you say in reply to Question 33, how is it that your production of yarn from 30s to 40s and above has been steadily going up in the last few years ?

A. *Mr. Patel.*—That is a fallacious figure. Out of our production we have used for the manufacture of cloth here. These figures do not contain anything about the production used in manufacturing here. It is simply the production of yarn.

Q. I do not quite follow.

A. This yarn which is produced is consumed by the mills which produce yarn in making their own cloth.

Q. You mean that the handloom weavers are buying imported yarn ?

A. *Mr. Parekh.*—We use it for weaving.

Q. You mean you are using your yarn for piecegoods and the handloom weavers are using imported yarn ?

A. Yes.

A. *Mr. Kasturbhai Lalbhai.*—May I with your permission point out with regard to the cross-examination of Mr. Subba Rao regarding the number of mills in Ahmedabad that paid super tax being 37, that other factories than the textile mills are included in that list. The figure is not only for mills under the Association but even for others. Again some mills are not in a position to have the full depreciation taken out as far as the super tax and income tax authorities are concerned. Because if the mill is an old one, if the capital account stands at 40 lakhs, I think it is entitled to a depreciation of Rs. 2,50,000. But because of the long number of years it has been in existence, it will be allowed for super tax purposes depreciation of Rs. 1,25,000 while it will be assessed to super tax on the rest of the profits.

Mr. Subba Rao.—On the other hand, this statement only gives the number of firms paying the super tax. It does not also give the number of firms which have paid the ordinary income tax. That is a factor which would increase the number of firms that are not faring badly.

A. *Mr. Kasturbhai Lalbhai.*—We can enquire and let you know.

A. *Mr. Parekh.*—Income tax and super tax go together. In the case of super tax it is for over Rs. 50,000. The first 50,000 is allowed free of any super tax.

Q. Some mills may not make enough profits for super tax.

A. You say the proportion is very large. I say the proportion is not large enough. There may be some mills which made some profits.

President.—Can you tell us how many mills were included in the 37 ?

A. We have taken this from the Super-tax Department

A. *Mr. Kasturbhai Lalbhai.*—We would not be able to know the exact number of mills that paid super tax. But we applied to the income tax authorities and they supplied these wholesale figures.

Mr. Subba Rao.—How many of the mills made a profit and did not lose ? The actual amount of profits does not matter.

Raja Hari Kishan Kaul.—When you talk of dumping I presume you mean that the Japanese are placing goods on the market below your cost price. You are not referring to placing goods on the market below their own cost price.

A. We are not quite sure whether they were placing goods below their costs. The general impression is they were when they were selling at Rs. 1-4-0 and Rs. 1-2-0 ; they were placing the goods below their own cost to a very great extent. They may not be placing it below their cost.

Q. You have no reason to believe that they were placing them on the market below their cost.

A. *Mr. Kasturbhai Lalbhai.*—We cannot say definitely one way or the other.

A. *Parekh.*—In 1922 or 1923 Japan could not introduce their 2/42s in India ; and at that time to get the market they were selling rather below cost.

Q. Have you any evidence for that ?

A. Of course we have no definite figures—it costs us so much and it must cost them about an anna cheaper. They cannot undersell by four annas.

Q. You have no information as to their cost ?

A. It may be that the cost of manufacture is less or they are selling below cost.

Q. It may be that their cost of production is much less, but when they find that they can hold the market even at Rs. 1-4-0, they are selling it at Rs. 1-4-0 and making a much larger profit. We cannot form an opinion unless we have some evidence for it. As regards the comparison of Japanese goods with Indian goods, do you find they are importing goods which are slightly better than the goods you manufacture or are the goods very much superior to the goods you manufacture ?

A. *Mr. Parekh.*—Slightly superior.

A. *Mr. Dixit.*—A little more attractive.

Q. Supposing you introduce some particular variety from 16s and 20s, they will produce the same thing say from 18s and 22s ?

A. *Mr. Kasturbhai Lalbhai.*—They would be superior only in finish.

Q. From the same counts ?

A. Yes.

Q. That would be only superiority of manufacture or would it be anything else ?

A. Superiority of the cotton used. They may perhaps mix American cotton with Indian cotton. For the same count they may be using American and Indian cotton.

Q. And producing a better finish.

A. Yes, a better quality.

Q. You said they were only competing in coarse counts. Have they slightly raised their counts in the competition ? For instance, they started competing with 14s and 16s or 16s and 18s and now instead of sending out goods manufactured from 14s and 16s are they using yarn 2 or 4 counts higher ?

A. That has not been our experience. Our experience is that if a particular count is manufactured here they will manufacture that particular count and give it a better finish, just a little superior and still at a cheaper price. Therefore it will naturally affect the consumer or the tradesmen or the middlemen.

Q. There are certain varieties of cloth which they are sending out to India which are distinctly finer than any cloth that you produce ?

A. We are not aware of that. We concern ourselves with the variety that we manufacture, look into it and see how much competition there is and try to meet it if possible.

Mr. Subba Rao.—We shall leave on one side the causes which brought about the 1*s.* 6*d.* exchange. I am not also not concerned with the effects of a rising or falling exchange. But you make a statement that a 1*s.* 6*d.* rupee would give an advantage to importers of 12½ per cent. I want to know exactly how you get that result and why you think it will be more or less a permanent handicap ? As regards your industry when the rupee is stabilised at 18*d.* why will it handicap the industry ?

A. Because the chief countries from which we import are England and Japan. Both of these countries are importing American cotton to a very large extent and manufacturing their goods from this cotton. Those countries have stabilised their exchanges at the pre-war rates or at the parity value.

Q. Gold parity ?

A. Yes. Our parity before the war was 1*s.* 4*d.* Naturally if they are now making their goods from the same cotton they are getting an advantage of 12½ per cent. because the importer instead of being called upon to pay Rs. 15 for the article that he wanted will now be paying Rs. 13-4-0

Q. The importer here will pay fewer rupees ?

A. Yes.

Q. If he paid fewer rupees what is the advantage to the foreigner ?

A. Because the goods being cheaper he will be able to import them in larger quantities.

Q. Where does the cheapness come in ? If the Indian price of foreign goods fell in response to the rate of 1*s.* 6*d.*, if price in India of piecegoods fell in rupee terms how does the foreign exporter of goods gain here ? He will get less rupees converted into sterling and he will get the same price. By a fall in the rupee price where is the gain for the foreigner who sends goods to India ?

A. As far as labour charges and cotton charges are concerned they remain just the same.

A. *Mr. Patel.*—The foreign shipper gets his sterling value of so many pounds but the importer who gets those goods in India has to pay a smaller number of rupees than he would have had to pay at the rate of 1*s.* 4*d.* Suppose I get my goods for £1,000 from England. The English shipper gets £1,000 whether the exchange is at 1*s.* 6*d.* or at 1*s.* 4*d.* But I get here my goods 12½ per cent. cheaper. I have to pay 1,300 rupees only as

against 1,500. So I gain in importing goods about 12 per cent. So I can compete with the indigenous production to the extent of 12½ per cent.

Q. You will be selling in India at the same rupee price.

A. No, I will reduce the price to compete with the local goods.

Q. If the price is reduced where is the advantage in importing ?

A. He will make some profit even if his goods are sold 10 per cent. cheaper

Q. Now you say he will get a premium or extra profit owing to exchange. But as the importing houses go on competing they will present a share of the advantage to the consumer, lower the price to such a point that at the new rupee price they will just be able to pay the old sterling price.

A. I look at it from a different standpoint. Suppose a particular saree is imported from a foreign country and you take a similar saree manufactured by the Indian mills for which the consumer pays Rs. 6. Then the foreign importer will not lose at Rs. 5-8-0 but I will lose if I sell for Rs. 5-8-0. So it is easy for you to outwit me in the market on account of exchange.

Q. What I want to get at is whether the exchange ratio will not ultimately mean lower prices. When these importers are getting a sort of bonus of 12½ per cent. will they not compete against each other till the prices come down to a point where at 1*s.* 6*d.* they will be able to pay the sterling price. In fact a change in price will soon react on exchange, and *vice versa*. Therefore there can only be a sort of bounty or a premium for a time. It cannot be a permanent bounty to the importer from abroad. There must be a corresponding fall in price.

A. It depends upon the nature of the competition.

Q. But wherever you have got this change in rate there is a corresponding adjustment, lowering the price or raising it. For example, you spoke of the Japanese exchange going down. You will find a corresponding rise in Japanese prices and wages in those years And now that the exchange is in their favour or is moving in their favour the prices are coming down. What I wanted your views on was whether the rate of 1*s.* 6*d.* if stabilised permanently will mean a permanent handicap ?

A. It will.

Q. I want to know why ?

A. The costs of the Japanese or English manufacturer, their costs of production will remain just the same. They are importing American cotton for which they are paying at the pre-war parity. The labour charges and other charges have been stabilised at the pre-war exchange standard. Our exchange has been appreciated. Therefore we shall be handicapped to the extent of 12½ per cent.

Q. Their rupee price will come down and yours will not come down. The price of English goods will come down in rupee terms whereas your price cannot come down correspondingly ?

A. Certainly.

Q. Will not this lead to a reduction of prices all round ?

A. It may.

Q. You will be able to reduce your expenditure on mill machinery, stores and so on. The only point of difficulty then will be reduction in wages. Till that takes place you are handicapped. But when wages changes are complete ?

A. There is not only a reduction in wages but also there is the cost of the raw material.

Q. You mean that your cotton price will not move in sympathy with world cotton price ?

A. It will move but only to a limited extent.

Q. To the extent that the prices of your raw material and their prices move in sympathy where is the handicap? When prices are coming down all round, allowing for the lag, where is the permanent handicap ?

A. It will come in in labour charges and interest charges. Our cost of production will remain about 12½ per cent. higher than the cost of production of the foreigner.

Q. That has to be proved. But what I am saying is that this alteration in exchange will work in course of time a corresponding alteration in internal prices. If exchange is at 1*s.* 6*d.* permanently without a corresponding change either in internal prices or in the foreign prices dealers ought to make 12½ per cent. additional gain on every transaction, and they ought to flood the country with imports. But that has not happened ?

A. My conception is that the imports will be 12½ per cent. cheaper in India and therefore they will be in a better position to compete with us.

Q. If they can at the presumed disparity make 12½ per cent. that ought to have led in these two years to a very large stimulus of imports.

A. The middleman is making 12½ per cent. when it costs him less. So if we were selling at Rs. 1-4-0 he will sell the same quality of cloth for Rs. 1-3-0.

Q. Assuming that your cost has not fallen ?

A. Yes.

Q. But when that has happened ? When exchange is stabilised at 1*s.* 6*d.* it is bound to lead to a fall.

A. *Mr. Parekh.*—That will take some time.

Q. I am merely speaking of a permanent handicap.

A. *Mr. Patel.*—The difference between the exchange remaining at 1*s.* 6*d.* and at 1*s.* 4*d.* is that by the exchange remaining at 1*s.* 6*d.* we have to include 12½ per cent. more as our cost. Now if the exchange is stabilised at 1*s.* 6*d.* we have always to pay that 12½ per cent. more for our manufacture according to economic theory. If the exchange is at 1*s.* 6*d.* then our cost of manufacture is always 12½ per cent. higher than that of the foreign countries on account of the difference in exchange.

Q. I want you to show it is so.

President.—You say "according to economic theory." But that *is* what it is not. You may or may not agree with the economic theory but the economic theory is that matters will adjust themselves.

A. *Mr. Patel.*—But the Bombay Millowners' Association say.....

Q. We do not accept the Bombay Millowners' Association's statement as to the economic theory. They may consider as you do that the economic theory is not correct. But there is no doubt what the economic theory is, which is that these matters adjust themselves.

A. *Mr. Patel.*—The higher the exchange the higher the level of prices is my experience.

Mr. Subba Rao.—High exchange connotes a low level of prices ; low exchange connotes a high level of prices.

A. *Mr. Parekh.*—Gradually they may be settled and then we may be all right but it will take some time.

Q. I am not going to dispute the possibility of a disparity in cost on account of a rising exchange but once you get the rise stabilised it is not likely that this disparity will continue for a long time.

A. *Mr. Dixit.*—Is stability in exchange possible ?

Q. That is a different point. I am not thinking now of hundreds of years but only of five or ten years. You can only think of decades in these matters, possibly even less. You have had this 1*s.* 6*d.* for two years or more. Wages have not come down in proportion. That is the last thing always to be adjusted. But I am only disputing your statement that there is bound to be a permanent disparity. Turning to a different point, then you say that banking facilities are not adequate. I want to know exactly in what respects local mills are not given loan facilities. Why not for example borrow as other people can on the security of your goods, on the hypothecation of your goods ? Do banks refuse you loans on these terms ?

A. *Mr. Kasturbhai Lalbhai.*—On hypothecation we may get loans from banks. But the general opinion is that we are not getting those facilities that they get in other countries. Hypothecation is one thing and getting cash credit loans is another. Hypothecation is not always possible, because the concern may not be able to finance only by hypothecation.

President.—You mention that Bombay gets better banking facilities than Ahmedabad In what direction ?

A. In Bombay there are several banks and naturally if one bank refuses one may approach another bank. One may be called upon to pay a higher interest, but he will get a loan. But here the banking facilities are of a limited character. There are only three banks and of course they are following a very very conservative policy, this being an inland town. I know of first class institutions in Ahmedabad for which 10 or 15 lakhs of rupees were needed. There was first class security and everything but still the bank hesitated and did not give.

Mr. Subba Rao.—What do you suggest as directions of change ? What do you think the Board should recommend ? It may be that banks desire to maintain a high standard in the matter of loans.

A. It is not for maintaining a high standard but they have no real desire to aid the industry. That desire you find in the banks in Japan and England. They desire to help the industry. But of course as far as Bombay is concerned that help has been afforded by the Imperial Bank without hesitation. In the case of Tatas the Imperial Bank loaned out, I understand, to the extent of a crore of rupees.

Q. This morning someone mentioned the Imperial Bank as unwilling to lend money.

A. To lend in Ahmedabad. The same facilities do not exist here as in Bombay. We have no knowledge of other towns.

Q. That is a local trouble so to speak ?

A. Yes.

Mr. Majmudar.—In your reply to Question 19 you refer to the United Kingdom having failed to compete successfully with Indian yarn up to 20s. The mills in the United Kingdom are specially laid out for fine and medium counts and they have not made a serious effort to compete with Indian mills in coarse counts.

A. *Mr. Kasturbhai Lalbhai.*—They would certainly have made one if they had found it to be a paying proposition as Japan finds it.

Q. If they are fully engaged on fine and medium counts for which they were laid out, they will not put new machinery for the sake of coarse counts and try to compete.

A. They have been putting in machinery. It is not that they have not made any changes in their machinery. It is quite possible that had it been found to be a paying proposition they would certainly have made efforts.

Q. If you see the figures of imports from the United Kingdom of 16s to 20s in 1921-22 they have been pretty heavy. One million five hundred and eleven thousand lbs.

A. That is only on account of the high exchange again. You bring in the exchange once more. You are bringing in 1921-22 when the exchange was 2*s.* and so enabling the importer to bring large quantities.

President.—1921-22 was not a year of high exchange.

A. Orders were placed in 1920 and imports came in in 1921-22. Exchange ruled at 2*s.* in 1920. Orders were placed in 1920 and the imports came in in 1921-22.

Mr. Majmudar.—Further on you see that in 1922-23 Japan exported to India 12,363,000 lbs. of 16s to 20s and 1,750,000 lbs. of 21s to 30s. To what do you attribute the export of that big quantity ? Can it be due to the fact that Japan had stocks of cotton, or of yarn made out of cotton, purchased in 1921 when cotton was low, the average price being Rs. 342, and that in 1922 Japan could sell heavily as cotton went up to Rs. 479 ?

A. We cannot say on what basis they made the sales. The fact remains that it was so.

Q. Perhaps due to the low price of the stocks of cotton ?

A. We could not say that.

Q. There is a possibility?

A. Quite so.

SECTION III

Internal Competition

President.—You say " the prosperity of Bombay and Ahmedabad mills had not been affected by the extension of mills or the establishment of new mills in up-country centres." How many new mills have been established in Ahmedabad during the last five years ?

A. *Mr. Kasturbhai Lalbhai.*—About six.

Q. There are about 80 mills shown in the Bombay Millowners' Association's list as established in the last five years outside Bombay and if there have been five or six in Ahmedabad, it means there are 75 in the rest of India. Don't you think that this had any effect on the prosperity of Bombay and Ahmedabad ?

A. No. If you look to the spindles and looms of those 75 mills, they are very meagre.

Q. That is true. Still the establishment of these new mills must have affected Bombay, if not Ahmedabad. Is Bombay losing its predominence in the Indian textile industry ? The proportion of spindles and looms in Bombay to those for all-India used to be over 50 per cent. but now it has gone down below 50 per cent. Here in Ahmedabad it would seem more or less stationary. Will Mr. Patel kindly give us a statement showing how many spindles and looms you have got, similar to that in Table I of the Bombay Millowners' Association's statement.

A. *Mr. Patel.*—Yes ; we are preparing a statement.

Q. In 1905, Bombay had 49 per cent. of the spindles in India and 55 per cent. of the looms. Now it has got only 40 per cent. of the spindles and 46 per cent. of the looms. Their position must have been affected by the competition of the up-country mills.

A. *Mr. Parekh.*—Certain mills have been started in the Native States recently.

Q. Do you think that that has affected Bombay to some extent ?

A. Of course, all the mills are affected.

Q. It has affected Bombay and Ahmedabad to some extent ?

A. Yes.

Q. What protection do these mills enjoy ? You refer to the protection of the mill s in the Native States.

A. *Mr. Patel.*—Firstly they are given concession in regard to land. They are given free land.

A. *Mr. Kasturbhai Lalbhai.*—In the case of Indore, I understand that there is a protective duty against imports of piece-goods to the extent of 5 per cent. I understand that it is 5 per cent.; I am not quite sure about it. Over and above that there is no income-tax or super-tax.

Q. No income-tax ?

A. If there is one, it is very slight and it does not affect the profits. In the case of Gwalior almost all the mill agents have received a circular from the Gwalior State stating that the State is prepared to grant lands free of cost and advance loans at 5 per cent. interest. The water charges too are very reasonable and there are many other facilities given. In the case of Baroda, the State Director of Commercial Intelligence is very active in granting various facilities for the cotton industry and recently, that is in the year 1920-1921, there have been nearly 7 mills established in Baroda territory which is only 9 miles from here. They advance loans on block account at reasonable rate of interest, they provide lands cheap and the income-tax, super-tax and water charges are cheap.

A. *Mr. Parekh.*—In the Baroda State all the British goods that come in have to pay 1½ per cent. duty.

Mr. Majmudar.—Is it octroi duty ?

A. It is free for the Native States.

A. *Mr. Ranchodlal Amritlal.*—It is the same case in the Nizam's territory. We have to pay duty for the cloth exported there.

President.—How much is it ?

A. It is about 5 per cent.

A. *Mr. Kasturbhai Lalbhai.*—But one thing is certain, that the Native States are too anxious to attract these industries while nothing is done by the British Government unfortunately.

Q. You refer to the preferential railway rates. What do you mean exactly by that ?

A. *Mr. Parekh.*—I have had a letter from the B. B. & C. I. Railway about the freight. From Bombay to Ahmedabad it is 312 miles and from Okha to Ahmedabad it is nearly the same. They are charging 50 per cent. from Bombay to Ahmedabad. The freight for certain articles, for mill stores for example, the Okha port is 310 miles and Ahmedabad is 308 miles. But the railway has given the concession for them. Here is a statement on the subject Annexure I.

Q. Are these not always preferential rates from ports ?

A. Bombay is also a port.

Q. Bombay has a preferential railway freight.

A. *Mr. Kasturbhai Lalbhai.*—From Ahmedabad to Bombay we have to pay Re. 1-1-0 and from Okha to Ahmedabad we have to pay 11 annas. Again in the case of Bawda which is 20 miles from Ahmedabad, and is not a port, the freight is 12 annas to Bombay while from Ahmedabad to Bombay it is Re. 1-1-0, though they have to travel a greater distance to Bombay than from Ahmedabad to Bombay.

Q. How does the preferential rate from Okha affect you unfavourably ?

A. *Mr. Parekh.*—If you have a cheaper rate, to that extent to Ahmedabad, it is an advantage. Industry will gain something.

Q. Won't you lose by the lower rate on Bombay piece-goods that come up here ?
A. We are sending certain piece-goods to Bombay too. We will get better prices thereby. We are not competing with Bombay. Bombay sorts are going to Ahmedabad and Ahmedabad sorts to Bombay.

A. *Mr. Kasturbhai Lalbhai.*—If the railway freight from Okha to Ahmedabad is 11 annas why should it not be the same from Ahmedabad to Bombay ? In the case of Okha there are several railways. There is the Jamnagar railway. There is the B. B. & C. I. Railway and other railways. It is very much more costly for the railways to transport from Okha to Ahmedabad and still the freight they charge from Okha to Ahmedabad is 50 per cent. lower.

Q. You mean that the goods have to travel over three railways ?
A. Yes. And in this case the rates are 50 per cent. lower. We cannot understand why Bawda is being given a rate of annas 12 and why Ahmedabad is being penalised unless our industries are not being looked after properly. They do not care for the industries established in Ahmedabad.

Q. Have you got any other instance ?
A. *Mr. Patel.*—Further instances are given in our reply to Question 95.

Q. The other instances are not with regard to differential treatment. That is merely a comparison with the rates of other railways. We have as a matter of fact sent copies of your answer to that question to the B. B. & C. I. Railway for their remarks and we have to see what they have to say about that.

A. *Mr. Parekh.*—The General Traffic Manager says that the necessity for reduction has not yet arisen.

Raja Hari Kishan Kaul.—You say that the Indian States advance money to merchants.
A. Yes.

Q. For their block capital ?
A. Not the full amount ; one-third amount in some cases and 50 per cent. in other cases. In Baroda it is one-third for starting a new mill.

Q. Indore ?
A. I do not know. Gwalior did circularise us.

Q. Interest ?
A. Five per cent. You cannot get for the block account at 5 per cent. You will have to pay at least 7 or 7½ per cent.

Mr. Subba Rao.—In respect of this help in the Native States the amount of competition is small even now.
A. The Native States have opened their eyes recently. They will compete within a short time if British authorities do not wake up.

Q. What do you mean by recently ?
A. During the last four or five years.
A. *Mr. Parekh.*—They are progressing every day and if such help is not given by the British Government the Native States may go on increasing their trade and we may be losing.

Q. But is there not very big disparity between you and the States ? In point of production they are nowhere.
A. They are increasing everyday. What did they have in 1905 ? They had no mills.

Q. But look at the actual figures.
A. *Mr. Kasturbhai Lalbhai.*—Their efforts have begun from 1921. After all whom did they attract ? They attracted the British subjects and their capital, because after all their subjects are not so adventurous as we are in British India. All the mills established in Kalol are by British subjects.

Q. What I suggest is that competition with you seems to be much keener from the rest of British India and not from the Native States ; because the quantity of yarn produced there is small. The amount of production is nowhere.

A. It all depends on the progress that they make during the coming years. You cannot generalise or definitely say that their progress will be just on the lines of the past years. It may be at a much greater speed.

Q. But apart from Government aid are conditions there so specially favourable that in the next few years they are likely to produce more yarn and give you trouble ? My suggestion is that it is not from the Native States but from the rest of India that there is competition.

A. If there is any competition it may be from the Native States, because the facilities offered there are so much greater.

Q. But are conditions for production specially helpful in point of raw material or labour or managing capacity and so on ?

A. Yes ; from every point of view they are much better there than they are in British India.

Q. You are prepared to generalise about the Native States as a whole ?

A. Certainly. I know it as a matter of fact. For one thing their labour is cheaper, because they have not got any industry where the labour can migrate and therefore they can get cheaper labour. At the most they will have to pay only 60 or 65 per cent. of the wages of Bombay.

Q. Would not that be true of any part of British India which has not got large industries ? It is not specially true of Native States ?

A. It may be true of British India. The other advantage is the one they are enjoying in the matter of income-tax, when it comes to the profits-side.

President.—If they are British subjects, have they not have to pay it any way ?

A. If they have got their capital there, they have not to pay.

Q. They cannot keep it there indefinitely ?

A. If they keep it there for more than three years it will suffice for them.

Mr. Subba Rao.—Suppose they earn dividends ; they cannot keep it there for a long time. I come from a Native State where ' we have all the advantages you have got in the way of taxes.' We have got an income-tax and a super-tax just as in British India. However, do you think that the mills in the States will compete with you more than mills in up-country British India ?

A. Yes.

Q. And do you lay stress more on natural conditions than on State aid ?

A. Both. They are also concentrating on the production of cotton. The Central Cotton Committee has brought so many States under it ; Baroda, Rajputana, etc. Some of them are producing the best cotton.

Q. So you suggest that in the coming years, the initial start of Bombay and Ahmedabad will be more than made up by Native States ?

A. I do not say that.

Q. Whatever you have had in the way of start will be counterbalanced by their advantages in the coming years ?

A. Perhaps, if a sufficient number of capitalists are forthcoming.

Mr. Majmudar.—Are the mills working longer hours in all the Native States ?

A. They were working uptill recently. Till 1923-1924 they were working 13 hours.

President.—Is there not a bill under consideration in Baroda which reduces the number of hours to 10 ?

A. That may be so. It has been the case with Indore but they have been working 13 hours till now. Now they are going to reduce it to ten hours. But there is a very great necessity that as far as factory legislation is concerned it should be uniform in all the States if the British subjects are to be protected from unfair competition.

Mr. Subba Rao.—We have in Mysore just the same legislation as in British India.

A. I am not speaking of Mysore.

Section IV

Mill Management

President.— We now come to the question of Managing Agents. We may say that the majority of the complaints we have had have been in regard to Ahmedabad. I imagine you know as well as I do the grounds on which you have been attacked. There are two main grounds. One is that you are too fond of your relations and the other that the managing agency is practically hereditary.

A. I think hereditary agency will be found in any part of the world. Take for instance, the Leverhulme concerns in England. They control some 264 concerns. When the

late Lord Leverhulme died the junior Mr. Lever came in charge of all these 264 concerns. It was not A, B, C who were invited to take charge. When Henry Ford dies his son will be coming and taking charge and it will not be an outsider who will come and take charge of the concern. In any part of the world the controlling interest will naturally take a leading part in the running of the concern.

Q. As regards the preference to relatives, have you any remarks to make ?

A. I think it is hardly true. Of course as I said thismorning there is a much greater indentification of interest in Ahmedabad than you will find in Bombay or anywhere else. Out of the 60 mills in Ahmedabad there are not more than half a dozen mills in which the relations draw any salary. Now in my own mills I have got my two brothers and two nephews working with me. But they work in an honorary capacity. It means if they get any remuneration that will come from my managing agency commission and that no charge is made for their work. The concern is being looked after much more carefully than you would expect it to be by salaried persons. As I say there are not more than half a dozen concerns at the moment who may be paying any salaries to their relations.

A. *Mr. Parekh.*—I think one will like to hand over a responsible work to a relative whom he knows very well. If I have any relation in the mill he will work better than anybody else and I will have more confidence in him rather than in any stranger. He will look to my interest better than the outsider does. Of course it is not the case with all the mills here. There may be certain mills and as Mr. Kasturbhai Lalbhai said they are paid from the agency commission.

Q. In any case it does not seem to me to be a matter which Government can alter. As regards this question of remuneration of the managing agents you have an entirely different system from that in Bombay ?

A. Yes.

Q. It would seem at first sight that the Bombay system of commission of profits is a fairer system from the point of view of the shareholders. What is the answer to the criticism which can be brought against your system which is that it does not make any difference to the Managing Agent whether the mill is selling at a loss provided the Managing Agents get their commission of 3½ per cent. on sales.

A. *Mr. Kasturbhai Lalbhai.*—It makes all the difference to the Managing Agent if he does not make a decent profit, because his future will be marred absolutely if he does not make decent profits and therefore, he is more anxious to keep up his reputation and see that he realises the best prices and the concern makes decent profits. If he mars his chance in one concern all his future prospects will be blocked.

Q. He may not think of establishing another concern in which case it does not matter ?

A. There is hardly an agent in Ahmedabad who has not got more than one concern. In most cases you will find that some agents have two or three or four mills. So naturally they expect that by showing better results to the shareholders they may earn the confidence of the shareholders and be able to start more cotton mills.

Q. Does not your system of remuneration on sales mean that at the time of depression you are getting far larger commission than the Bombay mills ?

A. No ; because in Ahmedabad the desire for maintaining one's reputation is so keen that no sooner there is a depression or the mill has not made profits then they leave off half or even the full commission. When one of my mills was started in the year 1908 till the war broke out in 1914 each and every year we let go a very large portion of the commission that we earned. I am prepared to submit a statement as to what commissions we earned on the concerns and what commissions we let go simply for the sake of honour and the agents' reputation.

Q. Is that common ?

A. That is common all over Ahmedabad. I think those sharebrokers who are going to appear before you will have to admit that as far as the letting go of the commission is concerned, it is a general practice here because every body looks to the future and not to the present.

A. *Mr. Ranchhodlal Amratlal.*—Moreover the full commission is not earned by the Managing Agents. He participates in that commission with the partners who were the original subscribers to the shares.

Q. I do not quite follow you.

A. There is a system generally adopted in Ahmedabad of taking commission partners in the agent's firms. They participate in the commission earned by the agents. The greater portion of the commission is given away to them for their services in subscribing to the capital when it was floated.

Q. It seems a curious system. What purpose do these commission partners serve ?

A. *Mr. Ranchhodlal Amratlal.*—We are not in a position to raise the capital in Ahmedabad without the assistance of such financiers and we have to pay them a part of the commission. The Managing Agents are merely earning a small part of the commission. I may cite an instance. One agent is only earning three annas in a rupee of the commission earned by the mill and the rest is given away to the other partners.

Q. Is not that a somewhat wasteful way of raising capital ?

A. *Mr. Kasturbhai Lalbhai.*—The point is this that, as you have been told in the morning, the system of raising capital here in Ahmedabad is very different from that of any other centre in India. Here we start with a very small capital though the block account may be four times as much. There are only two or three mills in Ahmedabad which have got a larger capital than five lakhs while in block they have 15,20,25 and 30 lakhs. Ordinarily our concerns are started with fifteen lakhs block account while the capital will be five lakhs. So the 15 lakhs plus the working capital of five lakhs about, in all say 22 lakhs, have to be found. Now under the managing agency system half a dozen or two or three persons join together and form into the managing agency and finance the whole 20 or 22 lakhs in the beginning, I mean as long as the concern needs their money, and earn commission. That commission will be divided between those partners. Naturally the risk they undergo is much greater in the beginning than the risk that is being undertaken by other industries.

Q. Why could not they take shares in the concern instead of putting their money into it in this way ?

A. Because up till the year 1914 the cotton textile industry had never been able to pay a return of more than six per cent. taken as a whole 6 or 6½ per cent. Six per cent. you will admit will never attract capital from the public at large. It has been admitted before the other Tariff Board that for industrial concerns you will require at least 8 or 8½ per cent. Instead of making this 8 or 8½ per cent, under the Ahmedabad system, the profits are divided between the shareholders and the agents. The agents will be financing the whole concern to the tune of 15 or 20 lakhs or whatever the need be and divide their commission with the financiers.

Q. It really comes to this that it is more or less a private concern. Private people put up the greater part of the capital and the general public are allowed to come in for the remainder. Private people put up the greater part of the capital, say 15 out of 20 lakhs—expecting a return of at least 8 or 9 per cent. and the general public are to be allowed to come in for the remaining quarter with the expectation of getting only 6 per cent.

A. *Mr. Parekh.*—Not exactly. The whole capital is subscribed by the agency firm partners. Then if any financial help is required afterwards they assist the Managing Agents and supply the captial.

Q. I understood you to say that these concerns were floated with a capital of about 5 lakhs. Do the general public subscribe ?

A. No, that is subscribed by the Managing Agency firm and that may be given to friends. In the beginning it is not subscribed by the public. But it is subscribed by the partners of the Managing Agency firm.

Q. Do you mean that at the commencement there are no shares open to the public ?

A. They are open but generally it is understood that such and such a partner has to take a certain number of shares ; say a one anna partner has subscribed Rs. 50,000 or a lakh of rupees ; shares for that amount are allotted to him then and there and those are distributed amongst his friends or relations or the public. Of the public nobody can come in the beginning. Even the new mill that is going to be started in Ahmedabad is started on the same principle. The majority of the shares even at present are held by the Managing Agents. It is said that the Agents are greedy for 3½ per cent. and sell the goods at any price and pocket the commission. That is not the system. The majority of the risk goes with the Managing Agents too.

A. *Mr. Patel.*—We have stated that capital is shy. This system is more in vogue here. We shall be glad to have capital from outside ; but capital is shy and this system if more suitable to us.

A. *Mr. Parekh.*—Since 1895 this system has been going on with few exceptions of Managing Agency partners. One man is managing the concern and he gets only four annas for the trouble—¼th of the commission. When the concern is well floated the public buy some shares.

Mr. Subba Rao.—He continues to get the commission even if he unloads the shares ?

A. He is taking the risk for a certain number of shares.

Q. That is under-writing the shares and later on unloading them on the public and yet this man gets the commission permanently ?

A. *Sheth Ranchhodlal Amratlal.*—If he retains a certain number of shares.

Q. It is under-writing, only rather more expensive than under-writing in other countries ?

A. *Mr. Kasturbhai Lalbhai.*—Ahmedabad would not have progressed to this extent but for this system.

President.—You say the Managing Agents in Ahmedabad do not receive commission on purchases of cotton, millstores, etc., but that in some cases the Managing Agents are interested in firms doing such business. Is not that the same thing, another round about way of earning commission ?

A. *Mr. Patel.*—It is a separate thing altogether.

Q. If they are interested in the firms which have dealings with the mills in those respects it seems to me another way of getting a commission.

A. Suppose there is an insurance company, the mill has to pay the same premium to anybody else, as it pays to this firm. He may have certain shares and he may be an indirect partner in it. But that does not affect the working of the mill.

A. *Mr. Parekh.*—We are interested in the Mill Stores Trading Company of India, Bombay. We have subscribed one-fourth of the shares. That does not mean that we are charging any commission. We are shareholders ; so we have the interest in the firm. That does not mean that whatever comes to my mill comes from that company, it may come from another company. It does not mean that we are charging direct to the mill any commission as Managing Agents.

Q. It might mean that a Managing Agent who is in such a position as you mention may be getting them ill stores from a company which he is interested, irrespective of the intrinsic merits of the stores.

A. There may be a possibility of that.

Q. I do not say it is the case but that there is a danger that there may be.

A. Then the Managing Agents should be debarred from doing any such business. If we get extra capital we can invest in other concerns but according to what you say it will mean that we cannot invest capital in any other concern.

A. *Mr. Kasturbhai Lalbhai.*—If we have an electric concern here naturally we will be interested and it will be supplying power to the mill.

Q. It depends on the extent to which you are interested in the other firm. If you as a firm of Managing Agents have a very large share in another firm which sells mill stores then the predilection will naturally be in favour of buying the millstores from that firm, which may not work entirely to the advantage of your mill.

A. *Mr. Kasturbhai Lalbhai.*—But I dare say there are not half a dozen such cases wherein the Managing Agents have been interested. Mostly it is in the insurance line. Here I may point out that in the case of insurance as well the full 25 per cent. discount that was in vogue up to now was being allowed in almost all the cases. I know in Calcutta the Managing Agents of the jute mills used to pocket that 25 per cent.

Q. The same statement has been made with equal confidence of mills in the textile industry.

A. As far as the Ahmedabad mills are concerned, we are quite prepared to place our books before you for a number of years and I would go further and say you won't find a single mill in which commission has been pocketed. We are quite prepared to get them audited by any auditor you mention.

Mr. Subba Rao.—Is not the commission 42 per cent. ?

A. *Mr. Ranchhodlal Amratlal.*—That is the commission paid to the Agents of the Insurance company. The insurance tariff allows 25 per cent. Now it is directly cut off by the company. Now they have made it net. If you look to the cost of insurance in Ahmedabad especially you will find that it is immaterial.

President.—We are hoping to get those costs before long. You sent our costs of production sheets to 12 mills. When can we expect to have them ?

A. *Mr. Kasturbhai Lalbhai.*—We desire to know whether these statements that we submit will be published.

Q. I pointed out with all the emphasis at my command when I was here last time that they will not be published. The average of the Ahmedabad mills may possibly be published.

A. We are holding them up simply because we are afraid.....

Q. We have no intention whatever of giving away the cost of production of any individual mill in India.

A. *Mr. Patel.*—It is difficult to find out these figures. In some cases they are able to get these figures from 1920. In some cases they are able to get from 1918. From 1914 up till now it is very difficult to get.

Q. We want all the figures that are available. If figures for 1914 are not available we must do without them. When was the commission on sales of 3½ per cent. introduced ?

A. *Mr. Parekh.*—Since a very long time. Commission on production or on sales is all the same.

Q. Not quite.

A. Practically the same. For example we call it production but we actually charge on goods issued out of the mill.

Q. The usual commission on production is three pies a pound. It is not quite the same thing.

A. It comes to the same thing. If we produce we sell out our produce. It is taken out of the mill premises.

Q. I understood that when commission was charged on production you might be piling up stocks.

A. *Mr. Kasturbhai Lalbhai.*—Three pies per pound was taken when the goods were issued.

Q. When did you change ?

A. *Mr. Parekh.*—Our mills have not changed. It is the same.

Q. Most of them are on 3½ per cent. system. How many have got the three pies system ?

A. Some are on 2½ per cent.

Q. How many have got the three pies system ?

A. Half a dozen.

Q. How many of the rest are on 2½ ?

A. They have not changed it. 2½ per cent. was from the beginning.

Q. Some have 3½ ?

A. Yes.

Q. And some 3 ?

A. No, it is 3½.

A. *Mr. Patel.*—Some mills which manufacture fine goods by importing yarn charge 5 per cent. Those are weaving sheds, some of them but not all.

Raja Hari Kishan Kaul.—How does it compare with the charge on production—so much per pound ?

A. *Mr. Parekh.*—When three pies was charged the price of yarn and cloth was about five to six annas and eight to nine annas. So practically three pies meant merely 2 per cent. and perhaps 3 in some cases. In yarn production if you were to charge 3 pies it went up to 3½ per cent. But now the price of yarn and cloth having gone up they have changed from pies to percentage.

Q. Does three pies per pound give a similar percentage ?

A. Yes, three pies may come to about 1½ or 2 per cent.

Q. Are mills now generally going over to a percentage charge on sales ? Is there a tendency to give up the three pies per pound ?

A. Not now. Unless the shareholders agree to the change the commission cannot be changed.

Q. Has there been a change in certain mills ?

A. At the same time a guarantee of dividend has been made. Wherever the change has been made several mills have agreed to give 12 to 15 per cent. on the share capital.

Q. I want to know whether there is a tendency to change from one system to the other system ?

A. Not now.

A. *Mr. Kasturbhai Lalbhai.*—Again, it may be pointed out that during the war period when profits were high the commission on the basis of 3½ per cent. was far short of the commission earned by the Bombay mills.

Q. I want to understand this peculiar Managing Agency system here. I understand from previous conversation that what you do when establishing a mill is for a Mill Agent and one or two of his friends to put in some capital. Then if they want some more capital they go to some friends. They approach some monied people and they try to raise the money that is needed and they form a small company calling it the Managing Agency. Then they start the mill and the agreement between them is that they have to share the commission on a certain basis. Where do the other shareholders come in ? So far it is only a company of mill agents and their friends who have collected the capital which is required to start the mill. Where do the other shareholders come in ?

A. *Mr. Parekh.*—There will be no shareholders at that time.

A. *Mr. Patel.*—A partner has to subscribe or get a certain number of shares subscribed. If I am a partner to the extent of 1/16th and if 500 or a thousand shares have to be subscribed, then I subscribe them myself or get other people to do that.

Q. So the other people who are buying shares buy an interest in the concern without having any shares in the commission ?

A. Yes.

A. *Mr. Parekh.*—He knows very well that this man is a partner in the commission.

Q. In other places also there are small companies which become Managing Agents, but they take the Managing Agency by an agreement and this agreement is terminable after ten or twenty years, or whatever the period may be. Here I understand the Managing Agency agreement is permanent, not terminable.

A. It can be terminated if the shareholders by a majority do it.

Q. Who are the parties to this Managing Agency agreement ?

A. It is between the mill company and the Managing Agency firm.

Q. Represented by the same people ?

A. Yes. When the agreement is executed the leading shareholders are those very shareholders who form the Managing Agency, therefore the agreement is practically between themselves.

A. *Mr. Patel.*—But I just pointed out that there are outside shareholders also. I am a Managing Agency partner to the extent of 1/16th. But if I have sold 500 shares to 500 people outside those 500 people are a party to the agreement.

Q. Is it executed at a meeting of the shareholders or by the Board of Directors ?

A. The Board of Directors settle the draft, but it is between the mill company and the Managing Agency.

Q. Is there a clause therein saying that it can be terminated ?

A. *Mr. Parekh.*—There is no clause at present. The Managing Agency agreement is there.

Q. Is it permanent ?

A. Yes. They can terminate it if they have got a majority of the shares.

President.—Is not that provided in the agreement ? How can you terminate it if there is no provision in the agreement ?

A. *Mr. Patel.*—If the mill is not working properly it will change hands.

Q. Unless it is definitely provided in the agreement, how can you terminate it ?

A. The Managing Agents themselves are compelled to do it.

Raja Hari Kishan Kaul.—Supposing they do not want to terminate it, there is nothing giving the shareholders power to terminate it ?

A. *Mr. Dixit.*—In some cases conditions have been included providing that in case of the next incumbent not properly managing the affairs a general meeting may be called and the agency may be transferred to somebody else.

Q. That provision is to operate if the successor to the Managing Agents does not do the work satisfactorily.

A. He must be competent and may not be influenced.

Q. Provision has been made for his removal and for the appointment of a successor. Who is to appoint the successor ?

A. *Mr. Parekh.*—The shareholders.

Q. What is the system—election ? What is the provision ?

A. The provision is only that they can make a change. It has been provided in the deed that they can make a change provided the next successor is not competent enough to manage.

Q. Would that quash the whole of the agreement with the Agency firm or would it merely remove that particular person—say the son of the last mill agent—and enable the mill agents to put in somebody else ?

A. *Mr. Dixit.*—Somebody else. They do not mention any particular person. It is not clear.

A. *Mr. Parekh.*—Generally the Managing Agents have the largest interest in the concern. Therefore as long as the concern is working all right there is no shareholder coming forward for a change of the agent or anything else. If the concern is not working properly the man himself will come forward and resign, and then make his co-partners give in their resignations too as he cannot manage, and then they all agree and resign.

Q. I am asking this question because this point has been raised and we may not have another chance of asking about it.

A. *Mr. Parekh.*—If the concern is not making money but losing, then the Managing Agent himself will come forward and say that he cannot work and that he is willing to resign.

Q. Supposing he goes on making money.....

A. If there is any loss, here in Ahmedabad none of the Agents take any commission. They waive all commission to the full extent.

Q. There may be very low profits ?

A. *Mr. Ranchhodlal Amratlal.*—Even then the Managing Agent foregoes a part of the commission. It is so provided.

Q. You do not think there is really any danger unless a man becomes dishonest ?

A. *Mr. Parekh.*—We have not found any up to now. If such things happen they change hands. The man himself comes forward.

A. *Mr. Patel.*—In reply to Question 12, we have mentioned a number of mills. In the case of No. 2, the Ahmedabad Cotton and Waste Mills the Agents themselves gave the agency to another.

President.—Do I understand you to say that a quarter of the shares must be in the name of the Managing Agent ?

A. *Mr. Patel.*—Possibly so.

Rajâ Hari Kishan Kaul.—What about the others ? First of all you have got the Managing Agents as partners in the firm.

A. They all retire. Because it is in the name of the Managing Agency firm. So the whole firm must resign.

Q. Then the shareholders appoint somebody else ?

A. *Mr. Parekh.*—There are special cases like that.

Q. How about the dishonest management in other mills ?

A. The same idea. First the creditors feel dissatisfied and they move the Court and liquidators are appointed and these mills are given to be worked by the liquidators.

Q. Does the company get into a condition where it is necessary to liquidate ?

A. Yes.

A. *Mr. Kasturbhai Lalbhai.*—I may mention here that in almost all the mills in Ahmedabad there is a clause that if there is fraudulent transaction they can be removed at a general meeting.

President.—Has fraud to be proved before a Court ?

A. Quite so.

Mr. Subba Rao.—Are these Managing Agencies, partnerships or joint stock companies ?

A. *Mr. Parekh.*—Some are partnerships and some joint stock companies. The Managing Agency sign as such and such a company limited.

Q. Is that common ?

A. Not common. There are some which have got more than 15 or 20 persons. Those are limited companies.

Q. And others are partnerships ?

A. Yes. In most cases there is a partnership.

Q. Therefore automatically there is bound to be a change or scope for change when one partner dies. It has got to be wound up. Is it not a registered partnership ?

A. *Mr. Patel.*—The agreement says that in cases of transfer the other partners have to be given the first preference to buy that part.

Q. You have not got any idea how many spindles and how many looms have been added between 1920 and 1925 ?

A. *Mr. Patel.*—I can give you the figures for the last three years just now. (The statement was handed over to the President.)

Q. Your spindles have increased by 25 per cent. in the last five years and the looms by about 15 per cent.

A. Yes.

Q. There has thus been a fairly large increase in the spindles in the last few years.

A. *Mr. Kasturbhai Lalbhai.*—Looms too.

Q. In looms about 15 per cent. There is a fairly large increase in the spindles.

A. Because of the war profits.

Q. You probably ordered those spindles and looms when prices were at their highest and they arrived after the boom was over. Do you think that that might have contributed to the present depression ?

A. No.

Q. Why not ?

A. Because the efficiency to be obtained from the new up-to-date machinery is very much greater than the efficiency to be got from the old machinery.

Q. Quite so.

A. The extra charge that the mill will have to pay will be in the matter of interest and depreciation and it is counterbalanced by the higher production and lesser cost.

Q. But it is not of much use increasing your production if you cannot sell it at remunerative prices.

A. But this was done because we were under the influence of the war period.

Q. Quite so. My point is that one of the commonest phases of trade cycles is orders for new machinery when prices are at their highest, the arrival and installation of the machinery when prices have dropped and the consequent increase of production when prices are at their lowest. Therefore I do not quite follow your argument when you say that you do not consider that extensions has contributed to the present depression.

A. Because as I pointed out, the only extra charges that we bear because of the extension will be in the matter of interest and depreciation and this is counterbalanced by the higher efficiency we get from the new Machinery.

Q. If you look up to the figures in the Bombay Millowners' Association's report, Mr. Kasturbhai, tables 15 and 16, you will notice that the production of Indian mill-made goods has been steadily going up during the last few years which is obviously due to the extension of the machinery as a result of the boom.

A. But as we have pointed out in the beginning we maintain that there is need for India producing still more cloth till she can bar all the imports that she is importing to-day. It has been a bogey raised by the Government officials that India has been producing much larger quantities and therefore the depression has come about. It is not so. As long as India is producing 65 per cent. of her requirements, she need not be told that she is producing more than what she wants, because there have been efforts also to spin finer counts. There is need for production.

Q. I quite agree with you that over-production in a country like India where one knows that there is room for a much larger consumption of piecegoods is an incorrect term. But the question of production at remunerative prices is the point. I do not deny for a moment that there is room for production on the part of the Indian mills of a far more cloth than they are producing at present. But my point is that production has gone up at a time when prices are falling and that this may have some effect in creating the present depression.

A. It may be because of the low prices at which the Japanese goods are imported and undercutting us. Had not there been severe competition which we have felt for the last two or three years from Japan, we dare say that the progress we have made would have been much more satisfactory and would have been a remunerative proposition.

Q. Is there any reason to believe that if you had produced more, you would have been able to sell it at a remunerative price ?

Mr. Patel.—We thought we had a right to produce more and sell at remunerative prices. We do not subscribe to the principle that we are over-producing.

Q. If one partner dies, it does not lead to an automatic closing down ?
A. If any partner dies and if his successor is disqualified under the agreement, then he will get only the commission for his life.

Q. So there is need for making the system amenable to change in some way. Supposing the shareholders who are not all interested in the agency want a change, apart from any special provision, there is no scope, no chance of making a change unless there is fraud, dishonesty or incompetence. Otherwise what provision is there for the shareholders to make a change in the agency if they feel it necessary to do so ?
A. *Mr. Kasturbhai Lalbhai.*—None for the present.

Mr. Subba Rao.—Would you be in favour of some kind of provision allowing the share holders to make a change ?

A. We will consider it.

A. *Mr. Parekh.*—The agreement is for 80 years just now ; there is a terminable contract between the company on one side and the Managing Agent on the other. If we take it either as a firm or an individual it is the same thing. If there is an agreement for 60 years it is the same thing.

Q. There is no chance of terminating it before 60 years ?
A. Yes. If you enter into a contract for 60 years with an individual there is no chance of terminating it. There is a certain clause that if it is terminated certain compensation is to be paid ; or in Bombay if a mill goes into liquidation the agents have to be compensated for a certain number of years.

A. *Mr. Kasturbhai Lalbhai.*—Even agreements for 30 years practically come to the same thing, because if after 10 years you find that the son or somebody else that comes and takes charge of the concern is incompetent he won't be removable before the other 20 years expire and by that time the concerns would have gone to the dogs. It practically comes to the same thing and I doubt whether you would improve matters by making any change in the Act.

Q. I was merely considering facilities for a change, should change be required. You think it is not possible as the system stands, to make any provision for an automatic transfer of the agency ?
A. If you desire an expression of opinion from us we shall have to consider and let you know.

Mr. Majmudar.—I think you know that in the case of Leverhulme Brothers, the workmen are given a share in the capital ?

A. I do.

Q. And is it so also in the Ford concern ?
A. No ; not in the Ford. I am certain about it.

Q. In the case of Leverhulme Brothers, the workmen are given what are called co-partnership certificates ?
A. Yes.

Q. To a very great extent ?
A. Not to a very great extent. Only a portion of the capital has been given to the workmen.

Q. And as a consequence the workmen take a great interest in making the concern successful ?
A. That is true. But unfortunately here we find that our workpeople do not take a lively interest in the running of the concern. Otherwise we should be only too pleased to make such a provision. At least my firm would do it.

Q. It is worth a trial ?
A. Yes.

Section V

Mill Finance

President.—You say in answer to question 46 that "the extension of mills and replacement of machinery undertaken when prices were at their highest do not contribute to the present depression in the industry. We should have been better able to arrive at a conclusion on this point if we had the figures for looms and spindles in Ahmedabad. I venture to suggest that you might with advantage do as the Bombay millowners do and publish with your report every year a few statistics.

If you were to give a few statistics for Ahmedabad it would be a very great help.
A. Yes ; quite so.

Q. It is not a question of over-producing. You have a right to produce as much as you like. Nobody denies your right.

A. It is therefore that we ask for protection.

Q. It is a question of being able to sell at remunerative prices even if you had protection. You say that "to a certain extent the system of investment of funds in allied concerns prevails in Ahmedabad." You consider it to be a sound one provided it is ably handled. Well, your view there is somewhat different from that put forward by your colleagues in Bombay. I think they told us in their oral examination that they did not like the system. Don't you consider that at any rate it affords an opportunity for criticism ?

A. *Mr. Kasturbhai Lalbhai.*—I shall explain it to you. Generally in Ahmedabad there are several firms of Managing Agents. If one mill has a surplus fund with it, it will go and deposit it with another mill. When we say that "to a certain extent the system of investment of funds in allied concerns prevails" it is not in the same agent's firm but with another mill and another concern altogether.

Q. That is not what we meant by allied concerns. We meant concerns under the same managing agency.

A. No. that is not being done. There may be a mill or two here which is doing that. That is under the same agency but when we answered the question we had in mind the idea that there are some mills which have surplus funds with them and which instead of depositing with the banks at a low rate of interest, place them with other mills and thus help them.

Q. That is not quite what we had in our minds. We were thinking of concerns under the same managing agencies.

A. No. Such a system would not be favoured by us.

Raja Hari Kishan Kaul.—Do I understand you to mean that the mills that have extended are paying equally well after the extension, leaving alone the other factors ?

A. Looking to the past history, if you take into consideration, their past history, they are doing quite well. Whatever the other things are, if a certain mill enjoyed a certain reputation it is enjoying the same reputation or it is making the same profit which it made before the extension.

President.—What about the case mentioned to us by Mr. Shivdasani, liquidator of seven mills now in liquidation.

A. *Mr. Parekh.*—That is only one case.

Raja Hari Kishan Kaul.—In reply to Question 47 you say "the ratio between the amount of profits and the dividends distributed to the shareholders during the period prior to 1917-1923 was practically the same as before. The present depression has nothing to do with it." You admit that mills that had large reserves are in a better position to stand the depression ?

A. *Mr. Kasturbhai Lalbhai.*—Quite so.

Q. Would it not have been proper in boom years to have placed more money to reserves ?

A. That has been exactly the case. Those mills which have distributed large dividends have built up very large reserve funds.

President.—Do you mean to say that the dividends during 1917-1923 were no higher than they were before ? Did you go up to 50 or 60 or even 100 per cent.?

A. *Mr. Parekh.*—That was the ratio. We meant that in the former years if we had 2 lakhs profit we distributed Rs. 50,000. In boom time if we made Rs. 10,000,000 we distributed nearly 2½ lakhs. So the ratio of dividends to the profit is the same.

Raja Hari Kishan Kaul.—Would it not have been advisable in years of boom to have set apart more money for reserves ?

A. They set aside more reserves.

Q. In a larger proportion ?

A. The share-holders may not allow that.

Q. What was your ratio before the war ?

A. About 25 per cent.

Q. Twenty-five per cent. dividend ? and 75 per cent. to the reserves.

A. At that time the mills were making very little profits. They were paying only 6 per cent. for a long time.

Q. And you observe the same practice ?
A. We might have exceeded the limit a little.

Q. Did you put to reserve 75 per cent. of the profit during the boom period ?
A. No ; that includes depreciation and everything else.

Q. Yes, including depreciation, etc. ?
A. We have taken more to depreciation.

Q. You say that your ratio was 25 per cent. That is 75 per cent. was to be, in one-form or another, placed in reserve. Do you mean to say that during the boom period you have been doing the same thing ?
A. We put 75 per cent. to the reserve. Whatever the profit was, 25 per cent. was distributed as dividend and 75 per cent. went to the reserve.

President.—How does it work out on the profit ?
A. *Mr. Kasturbhai Lalbhai.*—We cannot say off hand.

Q. If you will look at Appendix II to the Bombay Millowners' reply to the questionnaire, you will see that in 1918 the net profits of Bombay mills were 228 lakhs out of which 191 lakhs were distributed as dividends.
A. *Mr. Patel.*—We will submit a statement on similar lines.
A. *Mr. Parekh.*—In the next year, 1919, out of 6 crores they distributed 3 crores.

Q. I am referring to the figure for 1918.
A. They might have distributed more owing to their knowledge of the next year's probable profits.

Q. Do I gather from you that you did not adopt such a policy of lavish distribution of dividends as they did in Bombay ?
A. Yes. If we go further to 1920 and 1921 they have not distributed so much dividends.

Mr. Subba Rao.—This morning you made a point of the fact that the block account was much larger than the share capital and that in calculating the profits one should take into account the block account. Have you any system whereby you credit the reserve fund account with interest before declaring the profits ?

A. No.

Q. So you declare the profits entirly on the share capital ?
A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. Does it not therefore mislead the people ? Does it not inflate your profits ?
A. That is in order to attract the capital. The progress Ahmedabad has made in the matter of textile industry would not otherwise have been possible. It has been specially designed in order that people may come forward to put in money in the textile industry. Though the capital has been kept at a nominal amount good dividends may be paid to them. It is helpful both ways. In starting a new mill we may be able to get capital.

Q. When you start business how does it help you ?
A. If I have got one mill and if I follow that practice in starting another mill, it will be helpful in attracting the capital.

Q. But at the same time it is loading people to believe that they are making large profits. In bad years they might be less or nothing. You might be earning interest on the reserve fund while production might be conducted at a loss. We saw the accounts of one mill in the south with 12 lakhs of capital and 35 lakhs reserve fund invested outside the mills. It declared 2½ lakhs dividend derived mainly from the interest on the reserve fund.
A. That was the case here too. In my mill that is the case.

Q. It is earning interest from investments ?
A. Yes.

Q. In the concern itself ?
A. As I said, generally we lend out to the various mills or invest in shares or in the Government securities or in banks.

Q. Don't you employ the funds in extension of works ?
A. We do sometimes.

Q. What is the usual practice ? What is the proportion you employ in extensions ?
A. There is no policy about it.

Q. Purely empirical ? Settled from time to time ?
A. Yes.

Q. As regards the depreciation fund do you use it similarly in extensions ?
A. Yes, we use it in extensions, replacements, etc.

Q. Is that considered commercially sound ?
A. Yes, as far as we are concerned.

Q. It is meant to replace your capital. If you add new plant and you have to declare profits on the old and the new capital does it not make your task heavier ?
A. No ; it makes our task easier.

Q. If it is kept separately. If it is also employed in the purchase of additional spindles and looms and extension of buildings, does it not make the loss greater, when trade is dull ?
A. The capital is being retained at the same figure as before. If we earn on those spindles and looms then it goes for the benefit of the industry.

Mr. Majmudar.—In reply to Question 49 you say that "the practice of obtaining capital by means of short term loans is not followed generally in Ahmedabad."
A. I wanted to correct that. By short term loans some of our members understood it to be for less than one year, while the general practice is for a period of one year.

Q. Have some of the Managing Agents Shroffs Firms which work for the mills ?
A. Yes.

Q. And if the mill has got extra funds they are often invested with that firm ?
A. No. Any surplus is being invested in the mills in Ahmedabad or Bombay or in the Government paper or banks. I want to clear up the point in regard to Question 52. The answer is money "is borrowed by the industry in Ahmedabad at rates varying from 5 to 7½ per cent. in accordance with the stability of the concern. We have no definite information about the rate prevailing in Japan." I understand that in Japan the State Bank advances at the rate of 4 to 4½ per cent.

President.—Where did you get that information from ?

A. I have got it from a friend of mine and to the best of my knowledge it is correct. Of course it may not be the full amount but a part of the amount. But it is being advanced at 4 to 4½ per cent.

Section VI

Costs of Production

(a) General

President.—You say in reply to Question 53, "in our opinion a mill having 25,000 spindles and 600 looms is considered to ensure efficient and economical working." The Bombay figures are 30,000 spindles and 1,000 looms.

A. *Mr. Kasturbhai Lalbhai.*—Because the Bombay mills are behind Ahmedabad.

Q. I am not thinking so much about the size as the proportion. Their proportion is a thousand spindles to 30 looms.

A. In Ahmedabad it is 40 spindles to a loom.

Q. Is that because you are spinning finer counts ?
A. Because in the spinning department it is less, and we are not able to turn out the same quantity as in Bombay. Our preparatory machinery in the spinning department differs very materially from the preparatory machinery in Bombay mills. In Bombay there will be 12 cards. In Ahmedabad you will find there are 8 or 9 cards to a preparatory. So naturally the output is less. So the number of spindles may look larger. But when the outturn is taken into consideration it is not so.

Q. Why is your number of cards less than those in Bombay ?
A. Because it has been considered desirable.

Q. Does it mean you are not so efficient as Bombay ?
A. It is not a question of efficiency. It depends on one's ideas. Here we are rather more economical though Bombay is practising economy to a certain extent.

Q. It is a technical matter. Can you explain ? I do not quite follow why you should have more spindles to a loom than in Bombay ?
A. Because for one thing our preparatory is less and we spin a bit finer than Bombay.

Q. You say most of the mills built in Ahmedabad are to very great extent conducive to economical working. You have more purely spinning mills than they have in Bombay. Do you consider this is conducive to economical working ?
A. *Mr. Patel.*—But now the spinning mills are putting in weaving machinery.

Q. What are the weaving sheds doing ?—putting in spindles ?
A. Yes, they are putting spindles.

Q. Very few of the mills here appear to be planned in the way you consider they shou'd be.
A. *Mr. Parekh.*—Because they have got more spinning and less weaving.

Q. My point is that you say that most of the mills built in Ahmedabad are to a very great extent conducive to economical working. Very few of them answer to your description of a mill having 25,000 spindles and 600 looms, which you say is an ideal mill.
A. In Ahmedabad there are certain preparations which are worked up to the loom point, while one or two preparations are kept for reeling the yarn and selling it in the market. Some preparatory machinery is kept in Ahmedabad in order to work up the waste that we produce in the preparatory department. At least our experience has been that we require 40 spindles to a loom.

Mr. Subba Rao.—Is your yarn finer ?
A. *Mr. Parekh.*—A bit finer than Bombay.

President.—As far as I can make out at least 4 counts finer than Bombay on an average, that is, so far as we can gather from the mills which have sent in returns, it is just under 20. You consider that machinery is at a high price at present. You say that "the loss by using old machinery is compensated to a certain degree having regard to the present high price of machinery. Has not the price of machinery dropped very much of late.

A. *Mr. Ranchhodlal Amratlal.*—Even then it is high compared to pre-war prices.
A. *Mr. Parekh.*—Sixty or seventy per cent. higher.

Q. As much as that ?
A. Yes.
Mr. Majmudar.—Of all departments ?
A. I am talking of spinning—from blow room to spinning it is 70 to 75 per cent. and looms are about 75.
Raja Hari Kishan Kaul.—In answer to Question 57 you talk about subsidised freights from Japan. Have you got any evidence of that ?
A. *Mr. Patel.*—Yes, evidence was presented to the Fiscal Commission, as to the kinds of subsidies which are being given in Japan.

President.—Where did the information come from ?
A. The heading is given at the head of the extract "From Orient to Occident."

Q. The information is from a book published in 1909. Seventeen years ago is a long time.
A. Yes.
Raja Hari Kishan Kaul.—In answer to Question 59 you say "Artificial humidity does not materially help to lower the cost of production." Does it improve quality?
A. *Mr. Kasturbhai Lalbhai.*—It does.

Q. Then you can produce better quality ?
A. Certainly.
Q. But you say it does not materially help ?
A. The cost of production would not go down because we have to spend money on the artificial humidification plant that we put up.

Q. The improvement would be cancelled by the interest on the extra money ?
A. The extra cost and the extra cost of maintenance.

Mr. Majmudar.—Have you compared your production per spindle in particular counts with Bombay to find out why your proportion of 40 spindles to one loom differs from that in Bombay ?
A. *Mr. Kasturbhai Lalbhai.*—We do not know about Bombay. But as far as we are concerned almost all the mills here require about 40 spindles.

President.—Mr. Chamanlal Parekh should be able to say. He has got two mills in Bombay.

A. *Mr. Parekh.*—We are not spinning the same counts.

Mr. Majmudar.—In reply to Question 55, you say "old machinery does affect efficiency to a certain extent but this loss is compensated to a certain degree having regard to the present high price of the machinery." Have you worked out the difference in manufacturing cost ?

A. *Mr. Kasturbhai Lalbhai.*—No.

Q. Could you give the difference in production between the old and the new ?
A. Half an ounce. Supposing it is 20 counts, in the one case you get 5¾ ounces and in the other 6½ ounces.

Q. If the increase in cost of production due to the decrease in production due to old machinery is compensated by lower depreciation and interest charges than those to the new mills due to the high price of machinery, it would not pay you to throw out the old machinery and replace it ?
A. No.

Q. But in working out your cost of production you would not take into consideration the high cost due to the use of the old machinery. I will explain. The point for us to determine is whether Indian mills are able to compete with the Japanese or not. Therefore we shall have to find out the cost of production of Indian mills as well as of the Japanese mills. In order to do so, we shall have to take as basis certain mills which have got machinery which may be considered to be in a fair condition. At the time of working out the costs of production those mills which are considered to be old and inefficient, will have to be left out.
A. *Mr. Parekh.*—We shall have to take the same percentage there too, in Japan. You cannot take new mills in Bombay and take the old ones in Japan.

Q. The next point is this : if the actual manufacturing costs to the new mills are low, naturally they would be able to undersell the old mills and drive the old mills out of competition ; therefore the old mills will complain that they are not able to make any profit.
A. *Mr. Kasturbhai Lalbhai.*—But didn't we say in our reply that we subscribe to the principle that unless the industry is run on efficient and economical lines we cannot claim protection.
A. *Mr. Parekh.*—At the same time we have said that the use of old machinery compensates to a certain extent.

Q. That means in the calculation of the cost of production you agree to a lower depreciation and lower interest charge being allowed in the case of the old mills to compensate for lower output ?
A. *Mr. Parekh.*—Yes.

(*b*) *Raw material*

President.—You say the element of speculation in purchase could be reduced by facilities afforded by single hedge contracts. You have not got a cotton exchange here and you do not use the cotton exchange in Bombay at all. Do you ?
A. No.

Q. When you say the element of speculation in purchases could be reduced by facilities afforded by a single hedge contract I understand you are referring entirely to Bombay and that it makes no difference to you whatever ?
A. We do not follow practice of hedging here.

Q. Would it not make a difference if you could hedge ? You have to buy cotton so to speak when you can get it. You have not got any facilities for hedging and therefore you may be badly hit by a rise or fall in cotton. Is there no way to avoid that ? It can be avoided to a certain extent in Bombay, but not here. It is a matter of some importance. You have got 60 mills here ?
A. *Mr. Ranchhodlal Amratlal.*—The sentiment on this side is absolutely different. They consider hedging as speculation and that is why people refrain from hedging.

Q. You consider hedging here a speculation ?
A. Yes.

Q. I should have thought any safeguard against a rise or fall in the price of cotton was protection and not speculation.
A. *Mr. Parekh.*—American cotton is always balanced by the forward monthly contract rates while in India we have to go for Broach contracts or September or March long delivery and if we have got stocks of cloth and if we want to sell cotton against it there will not be the same parity between ready cotton and forward contract. There is a great difference. Sometimes those who do that come to grief. In America "middling" is the standard taken. In Liverpool when they purchase cotton they buy at certain points on or off "middling" price while here it is not the case. If we were to buy Broach to-day and if we want to replace it by ready cotton we have not got to pay so many rupees over and above that Broach contract but we have to pay ready cotton price. So it is not like Liverpool so that we can hedge.
A. *Mr. Kasturbhai Lalbhai.*—Hedging is rather a difficult proposition because very many times it has happened that the difference between one cotton and another, the

cotton that we want and the cotton that is tendered varies a good deal and therefore it has been considered not a very safe policy to hedge.

Q. It is obviously very difficult for you to hedge in Bombay, being three hundred miles away. You do not feel any necessity for starting a cotton exchange here ?

A. *Mr. Kasturbhai Lalbhai.*—No, not for forward deliveries, but we would welcome an exchange where we get ready cotton. Here we have got to stock cotton specially during the monsoon time, and the general system is that we have got to stock for three or four months so that we may not have to make purchases during the monsoon.

Q. You only stock for two or three months ?

A. It depends on the price of cotton. If the prices are considered fairly low then one may stock for a longer period.

Q. Where do you get your cotton from after that ?

A. *Mr. Parekh.*—We finish our purchases in June and then in December or November we are getting the new crop.

Q. You can always get enough to go on with except in the monsoon months ?

A. Yes.

Q. Where are you getting it from ?

A. From merchants up-country. All these Kathiawar merchants stock three or four thousand bales. We make purchases from them or the new season starts in the Punjab and we get cotton from Lyallpur.

Q. Do you purchase through your own agency ? You do not employ brokers, and save commission that way ?

A. Yes.

Q. That is one advantage you have over Bombay.

A. For the ready cotton we have got brokers.

Q. You have also got some buying agents ?

A. Not in Ahmedabad. If we buy in Ahmedabad we do not employ buying agents.

Q. Are they buying agents in the sense that they do nothing else except your work ?

A. No. They buy for half a dozen or a dozen mills in Ahmedabad.

Q. They are brokers ?

A. They are called commission agents. They make $\frac{1}{8}$ or $\frac{1}{4}$ per cent., out of which their expenses may be 8 to 10 annas.

Q. How much do the brokers get ?

A. One anna per maund—Re. 1-4-0 per candy.

Q. So the commission is paid on weight and not on the price of cotton ?

A. No.

A. *Mr. Ranchhodlal Amratlal.*—The commission agent is paid a percentage.

A. *Mr. Kasturbhai Lalbhai.*—On the up-country purchases we make we pay a half or quarter per cent. on the price. On the local purchases we make we pay Rs. 1-4-0 per candy, whether the price is Rs. 10 or Rs. 40.

Q. Isn't it to the interest of the commission agent to charge you as high a price as possible if he gets commission on the price ?

A. No, Sir. We are paying for it and we have got our own clerks and every day they send us information.

A. *Mr. Parekh.*—It is the market price they are purchasing at. They cannot purchase at a rupee more or less.

Q. So your opinion is that you have full information as to the ruling price and that if your commission agent charges you a higher price than the market rate you promptly change him ?

A. *Mr. Kasturbhai Lalbhai.*—Not only that but our clerks are posted at places where we make purchases. They are also giving us information from day to day.

Q. I do not quite follow your last remark in your answer to Question 63. You say the Ahmedabad mills usually purchase and stock cotton during the season, and that however a fall in the price of cotton at a later stage to a certain limit is compensated by the better quality of cotton obtained during the season ?

A. The position is this, that during the season we get a particular class of cotton which is not obtainable during the monsoon months.

Q. You mean that the best cotton is sold first ?

A. Yes, it is only to be had in the season. Out of the season you won't get it. Our experience of the past few years or very many years has been generally—it may be different in a particular year—but the general experience has been that the prices during the

monsoon have ruled Re. 1 or Re. 1-8-0 higher per maund than in the season. That Re. 1 or Re. 1-8-0 is put on because these cotton dealers who sell to us during the monsoon have had to stock it and the godown, interest and insurance charges have had to be borne by them, and with all these factors combined naturally they are not in a position to sell cheaper during the monsoon. So we find it advantageous always to purchase in the season because we get a better quality at a fair price.

Q. Take 1925, Mr. Kasturbhai. If you look at that statement in table 27 of the Bombay Millowners' original statement you see a differenc of Rs. 90 per candy between the price in January and the price in December. Take the price in March and the price in July. There is a difference of Rs. 102 per candy ?

A. But as has been pointed out in our reply we do not generally stock during the season. It is in the end of the season that we purchase for our stock and that is always in the month of June or July.

A. *Mr. Parekh.*—As to 1925 that was a falling market. Owing to the scarcity there was a very high rate to begin with. The rates went down. But it is not the general case in all the years. Still even if you pay 20 or Rs. 30 a candy more it pays because we get a uniform quality.

Q. If you paid in July Rs. 70 less than in June and Rs. 79 less than in August that is a very considerable difference ?

A. Some mills might have secured it in July. Nobody knows about the market. Some mills may not have bought and some mills may have.

Q. My point is that fluctuations in the price of cotton might hit you far more than any fluctuations in the price of cloth can help you.

A. No, Sir.

A. *Mr. Kasturbhai Lalbhai.*—Somehow or other our experience has been just otherwise. As far as cotton is concerned this purchase during the season has been always found to be of better quality than the purchases made during the monsoon.

Raja Hari Kishan Kaul.—Supposing you purchase cotton in June towards the end of the season, say at Rs. 449, then the price goes on falling to Rs. 365, Rs. 359, etc., and it comes down to Rs. 343 in December. So for these six months you would have been manufacturing cloth out of cotton purchased at Rs. 100 higher than the prevailing rate and the price of cloth might have come down more or less. So naturally you would suffer ?

A. Generally when we find that the prices ruling are higher we would not purchase.

A. *Mr. Parekh.*—It is not the general practice that we must have six months stock. All depends on the market and the discretion we use.

Q. You have no reason to believe that prices are high because they are falling. They will be falling for some time. It is in order to cover risks of that sort that the hedge contract is resorted to.

A. *Mr. Kasturbhai Lalbhai.*—Generally we know the trend of the market. Take for instance this month. To-day we know very well that the American crop is a very big one, and the Indian crop is going to be a large one. Naturally instead of making purchases for stock purposes we shall be following our policy of hand to mouth. If we feel that prices are sufficiently low we may buy. Sometimes it may happen that we burn our fingers in having stocked large quantities.

Q. When you find the prices are going up you will buy large stocks. Is that what you will do ? Supposing the price began to rise again then you will rush into the market and buy as much as you can ?

A. It depends on what discretion we take at the moment. Almost all the agents will not be following one and the same policy. There may be those who think that the market will go up and there may be a few who will think that the market is going down and may not buy at all.

Q. Your objection at present is to the three or four hedge contracts that exist in Bombay ?

A. We are not very much concerned with the various contracts that are being used in Bombay.

Q. Still I understand you to say that you might take advantage of a single contract ?

A. *Mr. Parekh.*—Here hedging is not so convenient. Even if there is one hedge contract it may not be convenient for mills, as the rates are not based on one sort as in Liverpool and other places.

Mr. Majmudar.—Supposing the hedge contract is only for a nominal cotton and the differences in prices of other grades of cotton are fixed from time to time at certain points above or below the price of that basis cotton, would the Ahmedabad mills be interested in hedging ?

A. *Mr Kasturbhai Lalbhai.*—They might be.

Q. In reply to Question 16 you say that Japan purchases most of her requirements in India from Bombay and up-country and further on you say that the Japanese firms have got ginning and pressing factories in some of the cotton districts, which assist them in their purchases. In what way does Japan gain by having these ginning and pressing factories ?

A. They establish ginneries and presses and the cost is a bit cheaper than the cost of any other ginneries.

President.—They have abolished their middlemen ?

A. Yes. When they have their own ginneries they may not be called upon to pay high charges on ginning but whether the advantage goes to the Japanese spinner or whether that advantage is pocketed by the ginner has got to be decided.

Q. *Mr. Majmudar.*—In how many places have Japanese firms got ginning and pressing factories ?

A. In half a dozen places.

Q. Are there not other competing ginning factories ?

A. There may be but whether they are competing or not we cannot say, because the Japanese are always for their own requirements. They do not gin or press for the public at large. They generally gin or press for their own requirements.

Q. But what is the handicap to the Indian purchasers ? There are ginning factories where Indians can get the cotton ginned and pressed ?

A. The point is that they are able to get it much cheaper. Owning ginneries as they do they are not called upon to pay high charges. In case there is a large crop in a particular district other ginneries might call upon the purchasers of cotton to pay a high rate for ginning or pressing but the Japanese exporters cannot be called upon to do that because they own the ginneries.

Q. That is so far as the Japanese exporter is concerned ?

A. Quite so.

Q. That too only in rare cases ?

A. There are, as I say, half a dozen.

Q. Does it happen every year ? Do they get an advantage like that every year ? Does it happen every year or occasionally ?

A. I think it is generally the case that when you own a ginnery or a press, in certain cases it gives a slight advantage and in certain other cases it gives quite good advantage.

Q. How much do you think they gain that way ? Would they be making say Rs. 10 a candy ?

A. It may be an advantage of Rs. 15. Of course that depends on different centres. When buying in the Punjab side the ginneries are making Rs. 10 to Rs. 15 a bale. That of course is being reduced every day. If they make Rs. 10 on a bale it means Rs. 20 a candy. They do make between Rs. 15 and Rs. 20 but that all depends upon the centre.

(c) Labour

President.—We now come to the question of labour. I notice you have given the figures for 1914 and 1921. You refer to the "Wages and Hours of Labour, Cotton Mill Industry," published by the Labour Office, Government of Bombay. Were these figures that you give for 1923 the rates in force before you made the reduction ?

A. *Mr. Patel.*—Yes. We have stated that we have reduced the wages by about 15½ per cent. in 1923. That was in June. The scale of wages is still the same except for the 15½ per cent. reduction in 1923 as put down in the second paragraph of our reply.

Q. You refer to page 8, but I cannot find your figures on page 8 ?

A. This is the latest copy available to us.

Q. Have not got the book published last year ?

A. No. I do not think we have got it. We were told by the Labour Director that they prepare this statement once in three years. Is there any difference between the columns in the two ?

Q. There must be a considerable difference.

A. So far as Ahmedabad is concerned the figures are much the same now except for the reduction of 15½ per cent.

Q. As a matter of fact the figures seem to show that an increase. If you look at page 6 of the second book and compare it with page 10 of the first you will see that the earnings of men have gone up from Rs. 1-5-0 a day to Rs. 1-6-2, the earnings of

woman from Re. 0-12-1 to Re. 0-12-9, the earnings of children remain the same, and the earnings of all work people, from Rs. 1-2-0 to Rs. 1-3-0.

A. Do these refer to the earlier part of 1923 or the latter part ? We have reduced the wages from June 1923.

Q. The figures are for August 1923.

A. So they cannot obtain figures for June and July. I think these figures were prepared before our figures were obtained.

Mr. Subba Rao.—Your figures are for 1923 ?

A. *Mr. Kasturbhai Lalbhai.*—If it is for August I think it must include the reduction.

A. *Mr. Patel.*—I am doubtful about the system of casting the averages, whether they take all the months and strike the average or whether they take only one month, August.

President.—As they find it in August.

A. Actually prevailing in the month of August ?

Q. We have got Mr. Findlay Shirras coming before us. We will question him about that. I think it might be convenient if you were to come at that time.

A. I will come if you inform me of the date.

Q. On Friday at 11 a.m. It is most confusing. I do not understand the position at all. What we want to know is exactly what changes have been made in your wages since 1914.

A. *Mr. Kasturbhai Lalbhai.*—That we have given in reply to Question 68 of our replies.

Q. Yes ; you have given them. What I want is figures for 1914 and those of the present day.

A. *Mr. Parekh.*—We have given for 1913.

Q. There was no change, I take it, between 1913 and 1918 ?

A. There was a change.

Q. Does this statement show the periods at which there was a change ?

A. Yes.

Q. Then since 1923 you had reduced wages by 15½ per cent. If we deduct 15½ per cent. from these last figures do we arrive at the present figures ?

A. *Mr. Kasturbhai Lalbhai.*—Yes. The present wages are paid on the basis of the wages that were in force on April 1st, 1923, less 15½ per cent.

Q. You say these are the figures for a mill in Ahmedabad. Which mill is it ?

A. *Mr. Patel.*—Rajnagar mills.

Q. Can they be considered representative ?

A. It is a fairly old mill.

Q. Can it be considered a representative mill ?

A. Yes, I think so.

Q. Do these figures include bonus and other allowances ?

A. *Mr. Parekh.*—Everything.

Q. The average wages, including everything ?

A. Yes. In Ahmedabad, the wages are practically uniform, except in the weaving department.

Q. Do all Ahmedabad mills pay the same rates ?

A. There may be a difference here and there of annas 8 or one rupee, that is, ½ anna or ½ anna a day per man. There are three different centres. There are plenty of mills in each centre. There are three divisions, two in Raipur and the other Kalpur. In weaving they differ because we are paying by piece according to the reed and pick, not per pound. But in spinning it is the same. The payment in the groups is uniform. The Raipur group is uniform and the Kalpur group is uniform.

Q. What is the difference between the two ?

A. Half an anna per day to a man for spinning or one rupee a month. The Kalpur pays more.

Q. Why is there a difference ?

A. It it due to the situation of the mills. One group draws labour which is nearer at hand and the other is from a little distance.

Q. I do not understand about the average daily earnings in 1923. You made a cut of 15½ per cent., did you not ?

A. *Mr. Kasturbhai Lalbhai.*—Yes ; that is 2 annas 6 pies in the rupee, to be exact.

Mr. Subba Rao.—Was the reduction on the enhanced basis, or on the original basis ?

A. It was on the total pay. When increments were given, they were given by so many percentages. In 1918, we paid 15 per cent. on the particular rate. Then 20 per cent., then 30 per cent., and so on. When the cut came it was on the total wage that the man was earning then, not on the basis wage.

President.—I do not understand how your wages in August, 1923, can have been higher than they were in 1921.

A. The wages for 1923 were higher than for 1921.

Q. I do not understand how the wages in August 1923, when that census was taken can have been higher than the wages in 1921, according to the figures you have now given us.

A. *Mr. Patel.*—Therefore there must be some difference in working out the averages. Unless we know that, we cannot say. We do not know whether they have taken the average for all the months.

Mr. Subba Rao.—It is for that month only.

A. That is doubtful.

A. *Mr. Parekh.*—They might have taken the pay on the working days.

Q. Taking the number of workers and the number of working days you find out the earnings per day.

President.—We have to ask Mr. Findlay Shirras about it.

A. The average monthly earnings have been calculated from the amount paid during the month and the number of days and dividing the second by the first and multiplying it by the average earnings already ascertained.

A. *Mr. Patel.*—In paragraph 3 of the book some details are given about the working. There was a cut and yet the wages were more than in May 1921. According to your figures the wages after the cut must have been lower than in 1921 ?

A. *Mr Kasturbhai Lalbhai.*—Certainly.

A. *Mr. Parekh.*—I think there was some increase between 1921 and 1923.

Q. But after the cut in 1923 the wages were lower than they were in 1921 and I do not therefore understand how the average can work out higher. According to the Labour Bureau they were slightly higher ?

A. *Mr. Parekh.*—We cannot explain it.

Q. Has there been no change at all since 1923 ?

A. No.

Q. Inspite of the depression ?

A. *Mr. Kasturbhai Lalbhai.*—We had to face a strike of ten weeks before we could make a 15½ per cent. reduction and we do not want to repeat it. The disorganization was such and the suffering of labourers were such that even then we were very much terrified.

Q. You say that the wages have gone up considerably more than the rise in the cost of living. Therefore what is the justification for this higher rate of wages ?

A. *Mr. Kasturbhai Lalbhai.*—It is human nature that once a man gets an increment he does not like—nobody likes—to have a cut and we are not in a position to enforce our wishes however much we may desire to reduce our cost by cutting wages.

Q. Then might not the question which the general taxpayer would naturally ask when he gets our report, if we were to recommend protection, be why he should be taxed to enable a higher scale of wages to be paid in Ahmedabad and Bombay than is justified by the increased cost of living ?

A. As far as the general taxpayer or for the matter of that the Government are concerned, when the strike occurred in Bombay both the parties were too anxious that the millowners of Bombay should restore the cut rather than sit tight upon the cut that they had announced and bring it into operation.

Q. But the question of protection had not then arisen. The general tax payer was not therefore concerned with anything except that the strike should be over, butif he is asked to pay a certain number of crores on cloth by way of a protective duty on cloth will he not want to know why he should pay that in order to enable the Ahmedabad and Bombay millowners to pay a rate of wages which is uneconomical on their own showing ?

A. *Mr. Parekh.*—They were doing quite well before they were dealt with by the labour leaders. When anything in the way of a reduction is contemplated they say they are entitled to such and such a thing. They can well be dealt with by the labour leaders. We are helpless in that case. If we want to face a long strike

and disorganize labour we can do that; not otherwise. In Bombay they had to suffer for 10 weeks at the last strike and then Government also favoured that anyhow some compromise should be arrived at to settle the strike. They did not like the strike.

Q. Then the question put simply is, are you justified in asking for protection in order to avoid a strike?

A. *Mr. Patel.*—Our past experience so far is to the effect that we have to undergo very severe strikes every time we try to reduce wages. Labour is getting more and more organised. Any further effort now to reduce wages will bring the labourers up to the level of the labourers in England and other places.

Q. Would that be disadvantageous?

A. No, but the leaders will be dictating terms and our position would be nationally much worse if we go on hammering to the last. So it is in the interests of the taxpayer himself not to go to the extent of compelling us to force a strike. The present coal strike may have an indirect reference to this. The taxpayer in England is now very desirous of settling the strike.

Q. You say that owing to the reduction of working hours from 12 to 10 the production in spinning suffered proportionately. Is it your experience that a reduction in hours has an absolutely mathematical result in spinning and that the output of spindles in 10 hours is exactly 5/6th of what it would be in 12 hours.

A. *Mr. Parekh.*—Not exactly; not in mathematical proportion.

Q. The Bombay Millowners say that it is.

A. *Mr. Kasturbhai Lalbhai.*—I mean 10 points higher or 15 points higher.

Q. The Bombay Millowners say that you get exactly 5/6ths of the outturn in spinning because the reduction in hours makes absolutely no difference owing to the fact that there is no way in which that spinner can make it up outturn. It does not improve the efficiency of the labourer in any way as it does in weaving?

A. That has not been our experience.

Q. You say there is a slight improvement in efficiency?

A. Yes, in spinning.

Q. To what is it due?

A. Lesser hours. The man is better able to attend to his work because he is engaged for a lesser number of hours. But the climatic conditions are different in Bombay and in Ahmedabad; it is very reasonable that we may get some advantage. In Ahmedabad the spinner has to work in 110° and 115° temperature whereas in Bombay it is between 95° and 105°.

Q. Did you find more breakages in the old days? I put that question to the Bombay millowners but they said that it made no difference.

A. At least our experience is different. I do not say our efficiency has gone up considerably because of the lesser number of hours. But it has gone up a bit, not exactly in mathematical proportion.

Q. As regards weaving, I believe the difference is less marked?

A. That is so.

Q. What is the reduction there?

A. *Mr. Parekh.*—Eight to ten per cent.

Q. About half what you would have expected?

A. Yes.

Q. I notice that the number of ring spindles per spinner here varies within a wider range than it does in Bombay. Is that because your range of machinery is greater?

A. *Mr. Parekh.*—Yesterday it was mentioned that there are more preparatory machinery. They may be spinning coarse counts.

Q. Their number of spindles for each spinner varies between 160 to 180?

A. We have practically 384 spindles and the same length of machine.

Q. Your frames are of a different size to those in Bombay?

A. As far as the length of the machinery is concerned.

Q. Does not each spinner look after one side?

A. Yes.

Q. The side is 160?

A. *Mr. Patel.*—If you will see the Bombay replies they have said they have got 360 spindles per frame while we have got 282 to 394. That is the difference in the number of spindles per frame.

Q. Would it not be better to have all frames with 400 spindles ? Then you would be sure that your spinner would look after the maximum ?

A. *Mr. Kasturbhai Lalbhai.*—The buildings have been so constructed. If a particular building has been designed for containing 360 spindles it cannot take 400, because the spaces left between have got to be kept. If a longer frame has to go in there the building has to be demolished or altered considerably.

Q. Then the mills are not so economically laid out as they might be ?

A. In former times people thought that a frame with 300 spindles was quite good for two spinners to look after while today the idea is that 350 or 360 could be looked after by two spinners.

Q. You have got 23 operatives to 1,000 spindles in the spinning department. In Bombay they have got 33.

A. That is because our preparatory machinery is different from what it is in Bombay. For one thing we spin a bit finer and therefore we will naturally require a greater number of men and another thing is that we are having less preparatories than in Bombay. We have a smaller number of machines to our preparatory and ideas differ regarding what machines have to do.

Q. Your number of operatives to the weaving department is practically the same. You have got 91 and they have got 87 number of operatives in the weaving department. There is one respect in which you appear to compare favourably with Bombay or any other part of India and that is in regard to absenteeism.

A. That is because we have been paying these wages which have attracted labour and we feel that we have been benefited in an indirect manner. When wages were lower absenteeism was much greater than what it is to-day. No statistics were being kept then but by experience we have found that pre-war the absenteeism was greater, at least 8 to 10 per cent. greater.

Q. We have been told that the Bombay operative is more efficient than the Ahmedabad operatives. But surely, if your absenteeism is as low as this, it must result in your getting more efficient labour than in Bombay ?

A. I do not know about the greater efficiency of Bombay. It has to be proved by comparing results, not only with regard to profits but with regard to production too.

Q. When we get your costs of production we will be better able to judge. But you are not at present prepared to admit that Bombay is more efficient than you are ?

A. No.

Q. I should say that if you have got only 2 per cent. absenteeism it should follow logically that your labour is more efficient.

A. *Mr. Patel.*—There are other reasons. In Bombay they get labour from the Deccan side. They are very migratory. During holidays they go away for one or two months. In Ahmedabad they have got their homes here and practically they are naturalised here. They do not want to go to their villages. In Deccan every now and then they will be always going to their homes.

A. *Mr. Kasturbhai Lalbhai.*—It is more likely that our labour should be more efficient than the Bombay labour, because as we have shown in our opening paragraph the labour which we recruit consists of people who have been habitually accustomed to this vocation—the spinner as well as the weaver.

Q. Then it stands to reason that if your percentage of absenteeism is very low you do not need *budlis* to any great extent ?

A. *Mr. Parekh.*—Not to a very great extent.

Q. Then in Bombay they told us that they have to maintain 10 per cent. additional labour over what they really require in order to provide for absenteeism.

A. That may be one of the reasons why they have 33 men and we have 23.

Q. But you do not do that here ?

A. No.

Q. Does it really mean a great saving in the cost of labour, apart altogether from the average earnings of the men?

A. It may be to that extent ; but not as all round 10 per cent. They do not maintain any permanent hands in the weaving department, only in the spinning department. In Bombay generally when a weaver is going on leave he has to put in a substitute himself and he pays from his pocket. The mills are not paying the substitute. Here the mills are paying. If a weaver is going out, the substitute is put in and the mills pay. In Bombay the very weayer who is absent puts in a substitute on his own account and he pays the man.

Q. The cost to the mill is the same ?
A Yes, they are not keeping extra weavers in the weaving shed.

Q. They would in spinning ?
A. Yes. We have to keep a certain number of hands in each and every department, one or two or three men to substitute *budlis* and we have to pay them permanently.

Q. That means a distinctly appreciable addition in the cost of labour in Bombay apart entirely from the question of average earnings.
A. Yes. I think the average earnings may be taken like this—the total wages paid may be divided by the number of hands employed. So the average earnings will be less to a man in Bombay.

Q. The point is that you have your additional 10 per cent. or 5 per cent. in the spinning department. It makes no difference, that 5 per cent. extra that the spinning department gets, to the ordinary wages of a spinner ?
A. The spinners' wages for the whole mill will be divided by the pay paid in the spinning department, by the number of hands.

Q. But you have got to pay those five people. It does not affect your average wages but it means an additional 5 per cent. on your total cost.
A. It is an addition but not in the average earnings. The average earnings will be the same.

Q. Yes, that is my point. I wanted to know if you agree with me.
A. If we pay Rs. 2,700 to 100 people, dividing 2,700 by 100 we get 27 rupees per head, but if we were to divide by 105.....

Q. But you would not. You have to pay the extra five.
A. The average is taken like that, the average earnings.

Q. My point is that you have got to pay those extra five people.
A. But that is included in the Rs. 2,700. So the average earning will be something less.

Q. It would not be Rs. 2,700 unless you add those extra five people. It will be Rs. 2,600.
A. If that be the case, the actual pay would be less.

Q. The spinner does not get any less because these extra five people are employed ?
A. The earnings will be less. If one mill is paying Rs. 2,700 between 105 men and another mill pays Rs. 2,700 and employs 100 men the total earnings of a hand in the two cases will be different.

Q. We are both saying the same thing in a different way. I agree with you that it makes no difference to the average wages. But at the same time it does make a difference to the total cost because you have got to pay those extra five people.
A. Exactly.
A. *Mr. Kasturbhai Lalbhai.*—I may explain the discrepancy. In Bombay the majority of the mills work for 26 days. In Ahmedabad the figures varies from 24 to 27. So naturally if the working days are less then the average may compare higher. Because the monthly salaried person will have to be included among the men, women and children they employ.

Mr. Subba Rao.—But would their number be very large ?
A. *Mr. Patel.*—It is made clear in this paragraph.
A. *Mr. Kasturbhai Lalbhai.*—It will differ according to the number of days worked in a particular month. If the number of days is 26 or 27 and here the number of days worked is 24 naturally the average will be higher.

President.—Would that hold as regards weavers ?
A. All the monthly paid persons.

Q. All are not paid by the day ?
A. Not all. There is a big list of persons who are paid monthly salaries. There are men, women and big lads.

Q. Who are paid by the month ?
A. Oilers,—certain monthly and certain fortnightly.

Q. Those would not affect the average very greatly.
A. They would to the extent of one anna or half an anna.

Q. They should have been separated out, it seems to me. If they were separated out that would make a great deal of difference.
A. Quite so.
A. *Mr. Patel.*—In Bombay they have taken 26 and 27 days while ours is 24 to 27. So we are much less than Bombay.

Q. Yes, you are bound to be less.
A. Therefore the average must be higher.

Q. We will examine Mr. Shirras on the point. But it seems to me a mistake to put the monthly people in at all, if they did so. Why do you not consider the automatic loom suitable to Indian labour ?

A. *Mr. Dixit.*—It requires better yarn for weaving purposes, because there is more strain in automatic looms than in ordinary looms. More tension is put on the yarn than in ordinary looms, and if better quality were required better mixing would also be required. That means better cotton. That means higher cost of cotton.

Q. Have you any experience of automatic looms in Ahmedabad ?
A. They have been tried in two or three mills but they failed.

Q. For that reason ?
A. *Mr. Parekh.*—Partly for that and partly for the inefficient labour. One man cannot attend to even 8 looms.

Q. It comes to this I suppose that the automatic loom is of no use unless you can get somebody to look after 20 looms. There is no saving if a man can look after only 8 ?
A. Even 8 they cannot attend to here.

Q. Even if he could attend to 8 there would be no saving ?
A. *Mr. Kasturbhai Lalbhai.*—Another consideration is that the cost of installing the automatic looms will be something like 2½ to 3 times higher than that of installing ordinary looms and any saving in labour charges will be taken up by the depreciation and interest charges.

Q. The point I take it is that with Indian labour you can get no saving which would counteract the very heavy additional cost ?
A. Quite so.

Q. The Textile Labour Union here has apparently no special grievance and they are not coming before us.
A. *Mr. Parekh.*—I wish they had come.

Q. We heard a good deal about the labour aspect in Bombay. There is one point I should like to ask you and that is whether you have the system here which appears to be prevalent in some of the Bombay mills of making labourers take over spoiled pieces of cloth.
A. *Mr. Kasturbhai Lalbhai.*—Yes we have that system. If a particular piece of cloth that he has been given to weave is spoilt by making too many *chiras* or leaving *tars* it is given out on his own account as a fine. He has got to pay us the price that we might have sold the piece for, and he sells it in the market. It is in a way a sort of fine.

Q. It seems to me a very heavy fine.
A. It is not a heavy fine because if we had to give that piece at Rs. 10 it will easily fetch Rs. 9 or Rs. 9-8-0.
A. *Mr. Parekh.*—Or he may use it himself.

Q. That is certainly not the impression that we got in Bombay. The impression we got in Bombay was that the fine amounted to several rupees and it seems to me that it must be so because obviously a spoilt piece of cloth is hardly likely to sell for much more than half the price of a good piece.
A. *Mr. Kasturbhai Lalbhai.*—His monthly earnings are something like Rs. 40. At the most he may be giving Rs. 2 or 3 when he spoils it so badly that we cannot sell it even at a loss. Again I may say this in this connection our Labour and Industries Member, Sir Bhupendra Nath Mitra, has already set on foot enquiries regarding that and we shall have very soon some piece of legislation on this too.

Q. I quite understand the Millowners' point of view in a case like this. It is naturally against the interests of the mills to sell a bad piece of cloth. You have to keep up your reputation and therefore to reject a piece of cloth if there is a slight flaw in it. But we cannot help wondering whether it would not be better to give a warning or two and that if the weaver offends again, to send him away.
A. The extent to which we get the cloth that has been spoiled in one way or the other is to the extent of half to one per cent. of all the manufactures. We get one per cent. of such spoiled cloth. That we take on our own account and sell it at two-thirds price or half price or whatever it can fetch according to the requirements of the market, while there are a few pieces which are given to the weaver in case of his persistent negligence. If a weaver has been employed for a month or two or if he spoiled it on the first piece, it won't be given to his account ; but if he persists in his negligence, then and then alone the piece is given on his account.

Q. If the man is so bad, why don't you get rid of him altogether ?
A. It would create dissatisfaction and trouble in the mill.
Mr. Parekh.—Of course action would be taken. If he is found not to be looking after a certain number of mills, the jobber is responsible. If some strictness is not used in the mills all the people will be negligent. Strictness is necessary for improving the quality.

Q. Do I understand that as a general rule you only give the cloth back when it is badly spoiled ?
A. Yes, badly spoiled on account of the weaver's negligence. If it is a mistake of the sizer, we do not give it back.

Q. That is natural. It would obviously be unfair. How do you recruit your labour here ? In the same way as they do in Bombay through jobbers ?
A. *Mr. Kasturbhai Lalbhai.*—Jobbers are there no doubt. But they are not recruited through these jobbers. Jobbers are more or less supervisors, while the labour comes of their own accord. There are localities round about the mills where from the particular class of spinners or weavers begin to come to the mill when it is started. They are given jobs. If they are to be dismissed or anything like that, it is done by the assistant spinning or weaving master.

Q. Who actually takes the man on ?
A. The spinning or the weaving department.

Q. Is he taken on by the spinning or weaving master or by the jobber ?
A. By the spinning or weaving master.
A. *Mr. Parekh.*—The spinning or weaving master also consults the jobber.

Q. He is directly taken on by the spinning master or the weaving master ?
A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. How many mills in Ahmedabad have worked double shifts ?
A. One mill.
A. *Mr. Patel.*—About four.

Q. Which mills ?
A. The Calico, the New Textile Mills, the Jubilee Mills, and the Gordhan Mills.
A. *Mr. Parekh.*—In what year ?

Q. At any time.
A. *Mr. Kasturbhai Lalbhai.*—In 1921.
A. *Mr. Parekh.*—When they were short of yarn.
A. *Mr. Kasturbhai Lalbhai.*—They stopped working double shifts within six months' time.

Q. Why ?
A. It was not a paying proposition.

Q. Why ?
A. It was difficult to get men labour and we could not employ women and children in night. There was more waste and the labour charges were great.
A. *Mr. Parekh.*—30 to 40 per cent. more was paid to the labourer.

Q. If that is so, how is it that you accept the figure of 5 per cent. advantage which has been worked out by the Bombay Millowners' Association as the advantage on double shift working ? If your experience is that instead of giving you an advantage of 5 per cent., it is a definite disadvantage, how is it that you accept that figure ?
A. *Mr. Kasturbhai Lalbhai.*—The Bombay people are considering the question with regard to Japanese labour and not with regard to Indian labour. We have to deal with the Indian labour. I think the advantage of 5 per cent. is with regard to the Japanese labour.

Q. They have worked it out on the Indian data. That is my point.
A. But not on the Indian labour.

Q. What we have to do is to discover exactly what advantage the Japanese actually get out of it and whether double shift working would pay at all in this country. Therefore what reason is there to accept this figure of 5 per cent. for Japan ?
A. *Mr. Parekh.*—If the mills are working double shifts and get proper production as in the day time, the expense would be reduced to 5 per cent. So the Japanese may have an advantage to that extent. That may be the reason.

Q. The point I really want to get at is whether this 5 per cent. represents the utmost advantage in the most favourable conditions. Is that so ?
A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. You refer to the reduction of the working hours from 12 to 10 as one of the results of legislative changes. But did not that come about before the amended Factory Act came into operation ?

A. *Mr. Patel.*—Yes; that was voluntary.

Q. Therefore, where is the grievance ?

A. If we want to change, we cannot change. That was our voluntary desire.

A. *Mr. Ranchhodlal Amratlal.*—At that time in some cases we were able to work one or two hours more. But now under the new Act we are not able to do that.

Q. Do I understand you to mean that you would go back to 12 hours if you could ?

A. That is a question which would require some consideration by the Association.

A. *Mr. Patel.*—Unless we have unfair and severe competition, we would not think of going back.

Q. What is the compulsory maintenance of boiler attendants to which you refer ?

A. *Mr. Parekh.*—Under the new Act since 1925 one boiler attendant has to be there for 12 hours together. But one man is not allowed to work for more than ten hours and so we are obliged to keep two men. So that is an extra expense. He is to be on the spot for 12 hours because we are obliged to use our boiler two hours earlier. For that sake we are obliged to keep two men.

A. *Mr. Kasturbhai Lalbhai.*—The additional expenditure has been to the extent of Rs. 1,50,000 a year for these attendants while it serves no purpose from our point of view.

Q. How can you get over it ? I would like those figures definitely worked out if you could do so. How have you arrived at that figure ?

A. *Mr. Patel.*—On the number of boilers working in the city.

Q. I want the exact data on which you have worked. Rs. 1,50,000 is not a small sum. But how can you get over it ?

A. *Mr. Kasturbhai Lalbhai.*—By your recommending the amendment of the Boiler Act. It does no good as far as the mills are concerned. It has been intended originally for the benefit of the Factory owners. Of course it has been introduced for the mills too. Originally the mills were engaging an engineer in each and it was not essential to engage these boiler attendants. But by this Act they have been obliged to engage these people and it has cost them, as I said, Rs. 1,50,000.

Q. Will you bring along a copy of the Boiler Act ? I would like to go into the matter a little more closely.

A. *Mr. Patel.*—Yes.

A. *Mr. Kasturbhai Lalbhai.*—Also the Smoke Nuisance Act is a great nuisance so far as Ahmedabad is concerned.

Q. What additional expenditure does that involve ?

A. It does not involve any additional expenditure; but the worry it is involving is very great. In many cases I referred to the Boiler Inspector asking him to specify what he wants me to do so to reduce the smoke nuisance. He won't recommend anything; but still he prosecutes and gets me fined. I do not know what is to be done. I have put a machine at a cost of Rs. 25,000 but still the nuisance has not abated. They say 'it is not our business.' We are trying our level best to reduce the smoke nuisance. I know what the smoke nuisance is in Glasgow and Manchester and still in Ahmedabad where there is open space, we are prosecuted. I approached the Collector of Bombay and the Member who is in charge of the Smoke Nuisance Act and he said that it is intended only for keeping people from making a greater nuisance. There are no prosecutions undertaken in Bombay. But here in Ahmedabad during the last year or 18 months when the Act is in operation, I dare say there are more than half a dozen prosecutions already undertaken and the method of undertaking those prosecutions is to my mind very strange. We would appeal to you regarding that too.

Q. It seems to me that your complaint is rather against the administration of the Act than the Act itself.

A. *Mr. Parekh.*—Exactly so. Sometimes the Smoke Nuisance Inspector says 'you have got your boilers overloaded. So you must put in a new boiler. The boilers are old; so change them.' The mills are thus put to a lot of extra expenditure.

A. *Mr. Ranchhodlal Amratlal.*—And sometimes we have to make additions to the boiler in the way of re-erecting them and so on.

Raja Hari Kishan Kaul.—Talking about double shifts, the Marsden Mills are working double shift at present ?

A. *Mr. Parekh.*—Yes.

Q. Is it an advantage to them to work double shift ?

A. *Mr. Kasturbhai Lalbhai.*—They are not our members and so we are not in a position to say anything.

Q. In any case the fact that they are working double shift must be proof of the double shift working being more economical ?

A. Not necessarily. They may be short of spinning or short of yarn and therefore they may be working double shift. As I understand, they have got more looms than spindles and therefore they work double shift to get surplus yarn and weaving it.

Q. Do they work double shift in spinning alone ?

A. Yes; only in spinning.

Q. Not in weaving ?

A. No; that is our information.

Q. As regards spoiled cloth, I believe that the facts are that the cloth is not given to the workman until he has had two or three warnings. It is not given to him in the very first instance and when it is given to him, does he prefer being given the cloth to being turned out ? Does he prefer taking the cloth and being fined to the extent of the difference between the price charged and the price realised to being turned out altogether ?

A. Yes.

Q. He considers that a lighter punishment ?

A. Certainly.

A. *Mr. Parekh.*—Particularly the weaver does not want to leave the mill in which he is weaving. He does not like to be turned out.

Q. You think he prefers being fined to being sent away ?

A. Yes.

A. *Mr. Ranchhodlal Amratlal.*—Moreover he prefers having the cloth to being fined.

Q. He would rather have the cloth and suffer the loss of a couple of rupees ?

A. Yes.

Q. Why ?

A. Then he can make the best use of the cloth. He may realise better price for the cloth.

Q. I understand that you are employing men to fill up vacancies even amongst weavers. Is it so ?

A. *Mr. Parekh.*—No; we do not employ any men; but the weavers themselves always enquire whether any man is required.

Q. That is the budli system ?

A. Yes; we have not got the men permanently.

Q. The case is exactly the same in Bombay ?

A. In weaving it is the same; and the number is small.

Q. Because your absenteeism is small ?

A. Yes.

Q. Compared with Bombay you seem to have two considerable advantages. One is that your office charges are less and the other is that your wages are lower than those in Bombay ?

A. *Mr. Kasturbhai Lalbhai.*—They are practically the same as in Bombay. If you take the labour statistics you find there is not even a difference of half-an-anna.

Q. Even after the 15 or 15½ per cent. reduction ? Rs. 33-6-0 is the figures here for a weaver against Rs. 47 in Bombay. In the same way for a spinner it comes to Rs. 20 here, as against Rs. 29 there.

A. *Mr. Patel.*—That is the average for man, woman and child. That is the general average.

A. *Mr. Parekh.*—The Labour Office have taken figures from several mills.

Q. On page 36 of the Bombay Millowners' Association's replies they have given figures and those exclude the bonus. In the case of weavers it is Rs. 47-12-0 and your figure is Rs. 33-6-0 after the 15 per cent. reduction. For ring frame side boys their figure is Rs. 29-12-0 as against your figure of Rs. 28-0-0.

A. In 1923 the last column was Rs. 31-12-0.

Q. If you make a 15½ per cent. reduction that will be less than Rs. 29-12-0. After the 15½ per cent. reduction your wages are lower than those of Bombay.

A. To a certain extent. But at the same time, I must bring to your notice that these wages are the average. So it will be more by about 10 per cent here. We are

not employing budlis. It is the average per day. In the spinning department we have to employ 5 to 7 per cent. more men.

Q. They employ spare men too—it is about 11 per cent. extra—in order to fill up the vacancies. Therefore their costs must be greater ?

A. Yes.

Q. What I want to know is what your advantage comes to in these two respects. How much per cent. do you save as compared to Bombay in the cost of production ?

A. We will have certain disadvantages too.

Q. In respect of wages and absenteeism ?

A. *Mr. Kasturbhai Lalbhai.*—2½ to 5 per cent.

Q. In answer to Question 77 you say " We agree with the view of the Bombay Millowners' Association." You say that the wages in the cotton textile mills are higher than the wages paid elsewhere. Can you give us some figures about Ahmedabad ?

A. There is hardly any other industry here.

Q. What do the ordinary coolies get ? What is a mason paid ?

A. *Mr. Parekh.*—We are talking of the industry.

A. *Mr. Kasturbhai Lalbhai.*—We say about the collieries, etc.

Q. They are not in Bombay. The conditions are not similar. Under similar conditions what does the labourer get ?

A. Bombay is not very much different from Calcutta in the matter of the cost of living, and wages paid to jute workers are certainly lower than the wages paid in Bombay.

Q. Can you tell us what the labourers are being paid in Ahmedabad—what a mason or a carpenter is being paid ?

A. We shall furnish the figures.

Q. What is he getting and with whom would you compare him ? For instance, whether a carpenter would be considered a more trained worker when compared to the spinnner, and so on.

A. There can be no comparison between the different trades.

Q. Any way a cooly would be equal to your untrained man who comes to you for training. He is the lowest paid man and that would show whether you are paying higher wages than those obtained in the market. There are probably other industries. There are two match factories here. What are the wages they are paying ? Do you know what wages they pay ?

A. No.

Q. That would be a good thing for comparison.

A. We shall try to get the figures.

Q. What are they in other small scale industries ?

A. *Mr. Parekh.*—They are small. In the whole mill they may be engaging very few hands and so they might be paying somewhat according to our scale ; otherwise they won't get labour.

Q. There are two match factories here ?

A. There is only one and they employ hardly 30 or 40 men.

Q. Only 30 or 40 ?

A. It is a very small factory.

Q. Anyway their wages will not be lower than your wages and that will be something to go upon and you can give us your present rates, and also the bazaar rates.

A. The bazaar rates and our rates differ. In the bazaar the workman may get something to-day and may not get to-morrow.

Q. Does he get more as day wages ?

A. No ; ordinarily the cooly is paid annas 8 or 10 a day while he is not sure of to-morrow. Here in the mills he is quite sure and he is earning his bread for the whole year.

Q. What is your lowest wage in the mills ?

A. About 12 annas.

Q. You have not got anything less than 12 annas.?

A. No ; nothing below it.

Mr. Subba Rao.—First of all I want to put a general question. How is the standard muster prepared and what is the basis for it ?

A. We have two or three musters.

Q. Does the one given in your answers, indicate the monthly earnings ?
A. Monthly earnings.

Q. The earnings a man would get at the given rate if he works systematically ?
A. We have got a system whereby he is paid 10 or 12 annas a day and we pay him for the holidays also in the month. We allow them the holidays.

Q. That is, Sunday for example. You pay for Sunday also ?
A. Yes; all holidays except those that are not observed by the mill. Sometimes the men are not present on the days that are not observed holidays by the mill and we deduct wages for such days only.

Q. It represents the rate for the 31 days ?
A. In our muster we put in per day and allow the holidays.

Q. Therefore, this would represent the monthly earnings including Sundays ?
A. Yes.

Q. You include spinners, who are paid by the day ?
A. We have a fortnightly muster. Whatever holidays come in we pay for them. That means it comes to 32 days in a month.

Q. You fix the daily rate and give it for the whole fortnight, irrespective of the Sundays coming in ?

A. *Mr. Kasturbhai Lalbhai.*—Here there is a system called the "*Hapta*" system. In the spinning department it is considered to be one of 16 days and in the weaving department it is 14 days. That is, for 16 days the spinning wages are made up.

Q. You pay on what basis ?
A. The rates differ by half-an-anna in the spinning department. That is, in a particular group they may be paying 12 annas, while in another group they may be paying 12½ annas. For every day of work that he puts in he will be paid 12 annas, Sundays and holidays inclusive. For these days also he will be drawing his salary. Out of sixteen days there will be generally 13 or 14 working days. If the rate is 12 annas he will be paid Rs. 12, *plus* attendance bonus. Attendance bonus is paid at the rate of Re. 1 a week if he has not absented himself during that week at all. If he has absented himself for more than one day he won't get that bonus.

Mr. Subba Rao.—He will get the full wage ?
A. Yes, including the holidays.

Q. Wages on 30 or 31 days basis and not on 26 or 27 days basis ?
A. No.

Q. You pay for the holidays also ?
A. Yes.

Q Why do you take the *hapta* as sixteen days ?
A. It is convenient for accounting and that is the system that has prevailed for very many years. We are paying twice a month. Here there are certain departments where we have to pay weekly.

Q. How many days do you take for settlements ?
A. Ten days. We keep the pay for ten days. Had it been 13 or 14 it would be difficult for me to multiply and find out the correct amount.

Q. I find from your figures for 1923 there is a rise as between 1921 and 1923. Does it show an actual change in rates and if so, when was the change made, because it looks as though when the depression was setting in you have been raising the wages ?
A. *Ranchhodlal Amratlal.*—In the latter part of the year 1921.

Q. Before 1923 or in 1923 ?
A. *Mr. Patel.*—An annual bonus was granted in 1921, some time in November and that might be making a difference.

President.—Talking about this standard muster, what about the bonus ?
A. We have got a statement here.

Q. You told us that this standard muster included bonus. Do these figures in reply to Question 68 of the statement include bonus ? What we would like to know is what bonuses were given and when they were taken away ?
A. *Mr. Kasturbhai Lalbhai.*—There have been two kinds of bonuses; one the attendance bonus—that is being still paid. During the three years 1920, 1921 and 1922 bonuses were paid because mills had made profits and the basis was fixed by settlement between the Labour Union and the Millowners' Association.

Q. That was what was happening in Bombay. There they gave a month's pay. What did you do ?

A. We did the same.

Mr. Subba Rao.—Is it retained now ?

A. No, that was only given on the yearly wages when the mills made very good profits. At the end of the year we decided to give these bonuses. The last bonus was in October 1921.

President.—Would the bonus appear here at all ?

A. *Mr. Patel.*—It does not appear in this.

Q. You had no strikes here when the bonus was taken away ?

A. *Mr. Kasturbhai Lalbhai.*—They knew very well what conditions we were in.

Q. Do you consider they had more knowledge of that than they had in Bombay ?

A. Certainly they know better here than in Bombay.

Mr. Subba Rao.—So the wage rates were not higher in Ahmedabad in 1923 than in Bombay ?

A. They were.

Q. Why ?

A. Because of the Labour Association in Ahmedabad we were forced to pay higher wages. You will find from the *Labour Gazettes* that the increments that have been given in Ahmedabad are much higher than the increments that have been obtained by labourers in Bombay. It is because of their better organization here.

Q. Evidently making the total higher ?

A. Yes.

Q. But I find that the average total earnings were lower. Why is that ? I find the ring frame rates Rs. 31-12-0 where as in Bombay the figures are 37-12-0.

A. The number of working days in that particular month may be more.

A. *Mr. Parekh.*—24 to 26 days in Ahmedabad and 27 in Bombay.

Q. But I thought you said just a little while ago that you in Ahmedabad paid irrespective of holidays for the whole month ? Then the number of working days would not matter. If you are paying for the whole month irrespective of holidays, Sundays and so on, it does not matter how many working days you have ?

A. It does.

Q. I do not understand how. Let us turn to another point. Absenteeism is less here than in Bombay ? We would like to examine those figures.

A. Absenteeism may be more but they are employing extra hands.

Q. They are paying 10 per cent. more. That will explain why they are paying more in the total wages bill, not the average rate. There are more people and you pay more. The divisor is larger, but the dividend is also larger. Your rates apparently are higher but the earnings are lower. I will give you a reference to your own answers to Question 68, and to the Bombay answers to that question and to page 17 of the second report of the Labour Office on wages in the cotton industry. There must be some explanation. I would like to have that. Then it was brought out in the examination by the President that you employ fewer labourers per thousand spindles than in Bombay and also that you have less machinery in these stages. Does it not show therefore your cost to that extent is lower than in Bombay ?

A. *Mr. Kasturbhai Lalbhai.*—Not necessarily, because the counts we produce are finer.

Q. Less hands and less machinery. Therefore the proportionate expenditure should be less the interest charges and labour charges per unit ?

A. *Mr. Patel.*—In the number of men we employ and the number of spindles per frame there is a difference between Ahmedabad and Bombay.

Q. I am speaking of labour. If you employ fewer labour and also less machinery.....

A. *Mr. Kasturbhai Lalbhai.*—Then the production will be less.

President.—The value will be greater.

A. It could not be greater.

Q. If you are spinning fine counts the value of the yarn is greater and therefore the net result of the working is presumably the same. What I mean is that six pounds of coarse yarn at Re. 1 means the same as 4 pounds of finer yarn at Rs. 1-8-0. Therefore if the value of your production is the same and you have fewer operatives to pay, what Mr. Subba Rao is trying to find out is why it should not cost you less.

A. It does not necessarily follow because that will establish only one proposition hat finer counts are cheaper to manufacture than coarser counts, which is not the case.

Q. We want to know why ?

A. Because the cost of production of finer counts will not be in proportion.

Q. Is it because the cost of cotton is greater ?

A. Not only the cost of cotton. You are now putting down the production in coarser counts as 6 pounds at Re. 1 while from that very spindle the finer counts production may not be exactly 4 pounds, but may be three pounds, and again it may not fetch Rs. 2 but it may fetch only Rs. 1-8-0.

Q. I am arguing on the basis of Rs. 1-8-0.

A. It may be three instead of four and it may give only Rs. 4-8-0 while the coarser one may give Rs. 6. In finer counts the cost of production is much higher than it is in coarser counts.

Mr. Majmudar.—If you produce 24s and the production is the same as in Bom bay with less preparatory machinery, certainly you stand to gain as advantage in the matter of costs.

A. *Mr. Kasturbhai Lalbhai.*—But we shall not be able to turn out the same amount of production from the less preparatory machinery. If Bombay requires certain machinery we require the same. The difference is that Bombay turns out coarser counts while we are turning out finer and therefore our preparatory requirements are less. We feel that we turn out 2 to 4 counts finer than Bombay does.

Mr. Subba Rao.—You spoke of diminished output on account of the reduction of hours. I suppose it is made up by reduction in wages also to some extent ?

A. Wages have not been reduced.

Q. Since this reduction of 15½ per cent.

A. That is not the only reduction that has been brought about. We went to ten hours in June 1920. The increment given was in the end of 1920 and again in 1921.

Q. I am not speaking of the total increment. You have made a reduction in wages of 15½ per cent. ?

A. We were obliged to make it.

Q. That to some extent diminishes your loss in output ?

A. Certainly.

Q. I am speaking of the relative proportion that sets off your loss in output. You are making less ; that means less output, and the wage has been reduced 15½ per cent. That to some extent sets off the loss in output. One interesting feature in Ahmedabad is that women on the time-scale are far more than in any other centre in the Bombay Presidency. Why is this ?

A. Because husbands do not like to work without their women folk by their side That is the general condition in Ahmedabad.

Q. We were told so. Is that the only explanation ?

A. Yes.

Q. Are they employed in the same department ?

A. In the same department and very probably on the same machine. On one side the husband or brother will be working and on the other the sister or wife will be working.

Q. That explains the greater proportion of women on the time-scale ?

A. Yes.

Q. About the standard of living, you have no figures for Ahmedabad separately ? You say that the wages here have outrun the present increase in the cost of living on the basis of the Bombay figures only. But they are not applicable to Ahmedabad. The cost of living here is different.

A. *Mr. Patel.*—They are practically the same.

Q. That table is only for Bombay.

Q. *Mr. Parekh.*—We are taking 73 per cent. If in pre-war days the cost of living was 100 it has gone up 73 higher. The same is the case in Bombay. It has gone up 73 per cent in Bombay. The difference is the same.

Q. You cannot reason that way. The index number given by the Labour Office is only for Bombay.

A. If so, if the percentage was lower here in pre-war years we ought to be lower to-day and the same average remains.

Q. Perhaps it might differ by about 30 points in different places.

A. The Labour Gazette gives the cost of living in Ahmedabad also. Here is a copy of the Labour Gazette.

Q. This is for Bombay.

A. That might be, but I will show you the other afterwards.

Q. The Young Currency Commission note the disparity between the Bombay wages and cost of living, and say that these figures indicate that either the pre-war rate of wages was too low or the present rate is excessive. If you take the rise in wages 1914 to 1925 it is 130 per cent. It is possible to argue that the rate in the initial year was very low in relation to the cost of living, because it is possible that people then did not know their own interests and could not bargain with you on the present terms. Which view do you hold ? Do you think wages were satisfactory in 1914 ?

A. They were low.

Q. Therefore you cannot go back to the 1914 level. If wages were low in 1914 the rise by 130 per cent. and so on has to be modified by reference to the cost of living ?

A. We have been saying that. It is not possible to reduce it as far as the cost of labour is concerned.

Q. Also not desirable ?

A. Not desirable.

Q. Then about housing, the number of workers given for 1923 was about 52,000. Has the number of your operatives increased in Ahmedabad in recent years ?

A. I think the number is in the vicinity of sixty thousand.

Q. And the number of rooms you have given is very small, only 1,400 or so ?

A. *Mr. Kasturbhai Lalbhai.*—I am afraid there has been a discrepancy that has crept in. Only the double tenements in two mills are about 300, which has been given out as 18.

Q. There are 1,600 tenements ?

A. It will be in the vicinity of 3,000 or 3,500. That is approximate.

Q. Take four thousand. Even that does not provide for sixty thousand labourers ?

A. As far as weavers are concerned none of them will come and live in the mill tenements however cheap the rent may be and however great facilities may be given because they have not been accustomed to it. They are Muhammadans. They live with their women folk and they are accustomed to stay in city houses however dirty or bad in sanitation they may be. They would not migrate to the mill premises. The rest of the spinners are being recruited not only from Ahmedabad but they come from villages round about, who always prefer to live in villages.

Q. They come and go back every day ?

A. Yes, in the suburbs of Ahmedabad. Then there are a number of chawls belonging to private owners so much so that there are certain mills which have provided accommodation for their labourers and which they do not get the labourers to come and occupy.

Q. *Mr. Majmudar.*—By reducing the hours of work from 12 to 10 you say that your production was reduced in weaving by 8 to 10 per cent. against 10 to 12 per cent. in the Bombay mills ?

A. We do not know about the Bombay mills.

Q. That is what the Bombay millowners said. Can you give the comparative figures ? It may be that Bombay efficiency was better previously and therefore they could not improve the efficiency whereas the Ahmedabad efficiency previously was lower and therefore they made up a little more ?

A. *Mr. Parekh.*—You mean Bombay weavers have become less efficient by working 10 hours ?

Q. That is what would appear from what you have been saying.

A. We say we are getting 8 to 10 per cent. lower production.

Q. Do you claim that the Ahmedabad workman is more efficient than the Bombay workman ?

A. *Mr. Kasturbhai Lalbhai.*—What we say is that Ahmedabad labour is as efficient as Bombay.

Q. If Bombay labour is as efficient as Ahmedabad, then there ought not to be this difference in percentage reduction in production as appears to be. In Bombay for example in weaving they lost in production to the extent of 10 to 12 per cent. as against 8 to 10 per cent. in Ahmedabad. So evidently it means that either your efficiency previously must have been low or that the efficiency of the Bombay people must have gone down now. Otherwise there would not be this difference ?

A. *Mr. Parekh.*—They say 10 to 12. We say 8 to 10. It is a difference of 2 per cent. We cannot be so exact.

A. *Mr. Kasturbhai Lalbhai.*—We have got to take into consideration the climatic conditions between Ahmedabad and Bombay. Ahmedabad is likely to gain 1 or 2 per cent. more than Bombay.

Q. If you have the exact figures of production we would like to have them. Sir N. N. Wadia put in the exact figures of production saying that this was the production of yarn when mills were working 12 hours and this was the production when mills were working 10 hours. Similarly he has also given the production figures for the same quality of cloth. If you give us similar figures, they will be useful for comparision.

A. We will give you the figures for a mill or two.

Q. Do you think the production in spinning could be improved if the spinners were on piece-work ?

A. It is a problematic question. Unless one has tried it one cannot say. We have not tried it.

A. *Mr. Parekh.*—Everything depends on the time taken for doffing.

Q. Doffing does not take much time. How many minutes are taken over it ?

A. *Mr. Kasturbhai Lalbhai.*—20 or 25 minutes. 7 doffs—3 to 3½ minutes each.

Q. With reference to the payment of wages, are all fixed wage people getting 16 days' wages for a fortnight's work, or do the spinners only get them ?

A. I think I made my point quite clear. There are three sorts of wage earners in one mill. One is the spinners who are paid on 16 days *hapta* basis. They are paid for holidays too. The second class is that of weavers who are paid for 14 days and their work being piece-work they are paid on whatever they turn out. The third class is the monthly wage earners as they are called who put in 26 or 27 working days, or whatever it might be, in a mill and they draw their monthly wage.

Q. By spinners you mean all the people working in the spinning department ?

A. Excepting the frame people who are paid by piece-work. They are also paid on 16 days *hapta* basis. They are on piece-work but they are paid on 16 days basis.

Q. Even though the mill has worked for 14 days ?

A. They will be paid for whatever work they turn out, but payment is made on 16 days *hapta* basis.

Q. Have you tried four loom weavers ?

A. We have some four loom weavers but they are very scarce.

Q. Do you suffer in production thereby ?

A. Sometimes we do. It all depends on the weaver, the sort of weaver we have.

A. *Mr. Parekh.*—There are several four loom weavers having an assistant.

Q. And in that case are you able to reduce the rate ?

A. We pay the same rate. Otherwise we don't get good weavers. On small looms we are not getting competent weavers ; so we are obliged to give them four looms and assistant.

Q. In reply to Question 70 you mention about the whiling away of time by the operatives. It was represented to us in Bombay by the labour union people that the people have to go out of the mills because there is no provision for urinals and their other requirements in the departments generally and it is regarded by the employers as whiling away the time, while they say that it is a necessity. It was also stated that in most of the mills, people are given *chhápa* and only a limited number of people are allowed to go out at a time. Is that system prevalent here ?

A. You mean passes ? That was the system before the war. But since the war it is not so. I understand in the mill compound itself there should be a urinal.

Q. People are not allowed to go out as often as they want to answer calls of nature.

A. Here it is not so. It is not the case in Ahmedabad, at any rate.

Q. In the matter of fines, you say that in many cases the man prefers to take the cloth. But does it often happen that the cloth you manufacture is for some other market and it will be of no use to the weaver himself ? Nor could he sell it here.

A. That is not the case in Ahmedabad mills. We generally prepare *dhotis* and *sarees* which are used here.

Q. You give notice for dismissal or reduction ?

A. *Mr. Patel.*—At least for reduction we have to give regular notice.

A. *Mr. Parekh.*—You mean the reduction in staff ?

Q. Yes.

A. No ; we do not give notice.

Q. Suppose you do not want the man.

A. *Mr. Patel.*—It depends on the service of the man, whether he is a weaver or a spinner or a jobber.

Q. Even people on monthly wages are not given notice ?

A. *Mr. Kasturbhai Lalbhai.*—We give notice. If the man is dismissed we give no notice. But if he has no fault and we want to dismiss him then we give notice.

Q. There is no regular system ?

A. No.

Q. Have you taken the census of indebtedness of the people here ?

A. *Mr. Patel.*—It is being collected by the Labour Unions at present.

Q. Coming to the budli system, if the Bombay people are employing a little more labour for the purpose of budli, it does not necessarily follow that every month their wage bill would increase to that extent, because a certain number of workmen will be absent every day and if the mills are engaging 10 per cent. more operatives it is because they find that so many people remain absent.

A. Yes. But the number of hands surely might show an increase.

Q. Each man may get a lower wage ; but the total wage bill will not increase.

A. Yes.

Q. When operatives are absent, do you put in budliwallas ? How many budliwallas generally have you to keep every day ?

A. *Mr. Kasturbhai Lalbhai.*—We do not engage and pay the budliwalla. If the weaver is sick or is going on a holiday, another weaver appears and he will be recruited.

Q. And the weaver will be considered to have been present ?

A. *Mr. Parekh.*—The new man's name will be put as a new man and he draws his wages for that period.

Q. In working out the percentage of absenteeism is this budli taken into consideration ?

A. *Mr. Dixit.*—The budli is not taken into consideration in working out the percentage.

A. *Mr. Patel.*—The Labour Office supplies certain forms to be filled in for the month in which we have to put in the percentage of absenteeism, the number of men, etc., and the Labour Office strikes out the average from these. We tell them that we are short of men. The budliwallas are already included in making this calculation on our part.

Q. You cannot suggest any reason why the rate of absenteeism is so low in Ahmedabad ?

A. They made this place their native home.

Q. The same conditions prevail also in Nagpur, but the rate of absenteeism is high.

A. We are paying better wages and attracting people to our centres.

Q. From outside ?

A. Yes.

A. *Mr. Parekh.*—From the surrounding districts and villages. In Bombay they have to go to their native places. Here they settle about two miles off and if they are absent for a day, they come the next day.

Q. Comparing the upcountry centres, Sholapur and Nagpur the percentage of absenteeism in your centre is very low.

A. *Mr. Patel.*—Because the total number of people engaged in mill industry is great here. We have 60,000 people settling in Ahmedabad and therefore naturally there will be some influx.

President.—We want some information on the point whether your absenteeism is reckoned in the same way as in Bombay.

A. Our absenteeism is based on the number of looms and spindles running without a man. We will say 2 per cent. of the looms are running without a man.

Q. Then the question is what percentage of budlis you are employing at the particular time.

A. That we do not know.

A. *Mr. Dixit.*—I think it will work to 10 per cent. if budliwallas are taken into account.

Q. It seems very unfortunate that the Labour Office had not devised a system which gives a uniform result. Have not you got a register showing the number of permanent people ?

A. We have.

Q. Can't you work out from that how many of these were absent ? Why cannot you work out your percentage of absenteeism in the same way as in Bombay ?

A. We enter in our list a budli as a new man.

Q. Why do you enter him in that way? He is not a new man.
A. That is the system here.

Mr. Majmudar.—Certainly you can separate them.

President.—It is unfortunate that it has been left to this Board to discover this very important difference.

Mr. Majmudar.—Is there any complaint here about the jobbers taking bribes? Have you tried to find that out?
A. *Mr. Patel.*—Yes; we have tried to assist the Labour Union. There were some cases recently and we tried to assist them.

A. *Mr. Ranchhodlal Amratlal*—Even if an operative approaches us we do take up measures.

Q. What percentage of the workmen would be getting weekly pay, what percentage fortnightly and what percentage monthly?

A. *Mr. Kasturbhai Lalbhai.*—It is difficult to give them off-hand.

Q. Speaking about the double shifts you said that all the mills have stopped working within six months. Did the Calico also stop within six months?
A. Certainly.

Q. Were they working both spinning and weaving?
A. Yes.

Q. You know in the case of Japan they are mostly working spinning only. Very few are working weaving. In case it is started in India and if it runs for a number of months continuously and if the people can be trained to it, do you think it is possible to continuously run it?
A. Yes, if you can get the Factory Act amended so as to allow women to be employed at night.

President.—But your percentage of female work people is very small.
A. I think it is the largest in any centre of India.

Q. I am referring to India generally. My point is that, taking India as a whole, the percentage of women to men is small. Therefore, would it not be possible to do without women at night for night working?
A. We do not know about other centres. But as far as Ahmedabad is concerned, if some license is given for Ahmedabad so as to allow women to be employed at night, we can get them.

Q. As a matter of fact, your percentage of women to men in Ahmedabad is smaller than in Bombay; in 1923 it was 6,600 women against 37,700 men and in Bombay they had 30,000 women to 112,000 men. They had over a quarter and you were about a sixth.
A. In Bombay they do more of reeling yarn and they want women to reel. Here we all have weaving mills. Naturally we employ a smaller number of women. If you take into consideration the spinning department only the number of women employed will be 30 or 35 per cent. They can do reeling in the day time in Bombay. It is easy for Bombay to get on.

Mr. Majmudar.—How is the Marsden Mill able to work double shift?
A. It is such a small mill that hardly any consideration ought to be given to it from our point of view. They have not got more than 200 or 300 men employed. They have got 11,000 spindles and 300 looms. It would not require more than 300 people.

Q. Working on finer counts they require a smaller number of people?
A. Perhaps.

Q. Then, while talking of automatic looms you refer to the high cost of installation. But if you have got trained workmen, you will be able to save in wages. Has any trial been made in that direction in Ahmedabad?
A. An effort has been made, but it has failed and therefore nobody can do it again.

Q. How many mills in Ahmedabad tried it?
A. Twelve looms were installed in Calico mills and they were all stopped. There were also some in Sholapur.

A. *Mr. Ranchhodlal Amratlal.*—Another aspect of this is that in the Buckingham and Carnatic mills they have got automatic looms, but one weaver is minding two looms.

Q. That statement is not correct. In the Buckingham and Carnatic mills there is one weaver for six looms. That is what the Labour Union of Madras mention in their written statement.
A. I have got this information from a reliable source and if you refer to the mills themselves you may know it.

President.—The Labour Union should know. However, we will find out that when we go Madras.

A. *Mr. Patel.*—Regarding female labour in Japan, the figures are high in Japan; it is 49 per cent. of male labour and 50 per cent. of female labour.

Q. We know that.

Mr. Majmudar.—Then you raise the question of boiler attendants. I think the provision of boiler attendants has been made because of the accidents and the loss of life resulting therefrom.

A. *Mr. Kasturbhai Lalbhai.*—One accident which happened in Delhi could not justify the penalising of the whole industry and I do not know whether the boiler attendant will be better able to look after the boilers than a qualified first class engineer who is engaged in each and every mill.

Q. But the boiler attendant would be working under the engineer. The engineer may be anywhere in the mill whereas the boiler attendant will be near the boiler.

A. *Mr. Kasturbhai Lalbhai.*—My contention is that if there has been one accident here and one accident there, that would not justify the Government in legislating on the proposition. Because there are so many accidents on the railways, why don't you legislate on them ? No legislation has been made.

Q. You do admit that some step has to be taken in order to guard against the accidents ?

A. There has been a step. That accident has occurred owing to the pipes not being closed. Recently there has been an amendment by which if there are two boilers in a mill, then the pipe on the line has to be completely separated and we have been compelled to put steel pipes connecting the different boilers and at the same time a new law has been put into force compelling us to disconnect the joints before the man enters into the boilers for cleaning. But still over and above that, this is an additional precaution which in our opinion is quite burdensome.

Q. Do you mean to say that where there are first class engineers, it ought not to be compulsory for the mills to engage boiler attendants ?

A. That is our view.

Q. My point is that in the case of certain mills, for instance, the Bombay mills, as they have gone on electric drive, the boiler attendants would be necessary to them if they have no mechanical engineer.

A. *Mr. Parekh.*—They have to engage an engineer, first class or second class.

Q. For attending on the boilers now ?

A. Yes; it is necessary.

Q. An engineer is not necessary. They can employ a boiler attendant?

A. The boiler attendant should be a qualified engineer.

Q. There is a separate examination for them.

A. *Mr Kasturbhai Lalbhai.*—What we say is that where there is a first class engineer, the boiler attendant may be dispensed with. It will relieve us of the burdensome tax of Rs. 1,50,000.

Q. Then we go to the next question of smoke nuisance. You will admit that the nuisance is a public one and that certainly the mills can improve matters and reduce smoke for the sake of public health.

A. We are only too anxious to do that if better methods are devised or shown to us. We do not like to be prosecuted inspite of our spending 25 or 30 thousand rupees and yet the smoke nuisance not abating. Unless the authorities co-ordinate amongst themselves, it is hard for us to reduce the smoke nuisance. Because on the one hand they will not reduce the coal freight.....

President.—They have recently reduced the long distance freights on coal.

A. The reduction in coal freights from Bengal to Ahmedabad are not in proportion to the reduction from the Central Provinces mines to Ahmedabad The reason, as we have been told is, there are some European mining centres in the Central Provinces.

Q. I can assure you that your information is entirely incorrect. As far as I know, the European mine owners are certainly not in the majority. I can tell you the reason, Mr. Kasturbhai Lalbhai, why the Central Provinces rates have been reduced as compared with the Bengal freights. We went into the subject on the Coal Committee of which you may remember I was the President and the real reason is that the G. I. P. are not unnaturally anxious to exploit the collieries on their own line.

A. Why should we be made to suffer ?

Q. You are getting specially favourable rate for the coal on the G. I. P. Ry. line. It is not a question of suffering exactly.

A. And therefore we are induced to use the Central Provinces coal. And the smoke nuisance is there and we are prosecuted.

A. Mr. *Parekh.*—The E. I. R., G. I. P. and the B. B. & C. I. Rys. are all on the way. So the G. I. P. Ry. is anxious to develop their trade.

President.—The G. I. P. Ry. has collieries on their line and they are naturally anxious to develop them and that is the reason why they give specially low rates of freight.

A. Railways are competing between themselves.

Q. You get compensation to that extent. However we are not discussing coal.

Mr. Majmudar.—What are the prices of Bengal and Central Provinces coal ?

A. First class Rs. 5-6-0, freight Rs. 13-2-0 and Re. 0-8-0 terminal tax.

Q. Then it works out to Rs. 19 and if we add carting, etc., Rs. 20. And the price of Central Provinces ?

A. *Mr. Kasturbhai Lalbhai.*—Rs. 6. The freight is Rs. 7 and Re. 0-8-0 terminal tax per ton.

Q. We have added 14 annas in the other case for carting, etc. We might add that also.

A. *Mr. Parekh.*—That is Rs. 1-14-0. We may compare the f.o.r. price between the two.

Q. Very good ; in that case the price will be Rs. 13-8-0 against Rs. 19.

President.—How much do you save a ton by using Central Provinces coal ?

A. Rs. 6.

Mr. Majmudar.—How much greater will be the consumption ?

A. 12½ to 15 per cent. in the case of Central Provinces coal.

Q. The thermal units of Central Provinces are low. I think the difference in consumption will be about 25 per cent.

A. *Mr. Parekh.*—It depends on the quality of coal.

President.—There is good coal in Central Provinces and bad coal in Bengal. It depends on what you get.

Mr. Majmudar.—You say you are not able to use Bengal coal because it is dear. Do you mean thereby that if you use Bengal coal the smoke nuisance would disappear ?

A. *Mr. Patel.*—To a great extent. Some mills are using Bengal coal and still the difference in smoke is not so much. It is to the extent of 40 or 45 per cent.

Q. You require less coal when you use Bengal coal ; and further there are better chances for you to reduce the smoke nuisance.

A. *Mr. Parekh.*—Some of the mills which were prosecuted have tried both. If we are going to use Bengal coal it costs us Rs. 7 more and if we have to burn 20 per cent. more that means Rs. 3 a ton more.

Q. The point was whether it is possible for you to be free from this prosecution trouble in any way. You prefer the prosecution to spending more and getting away from the smoke nuisance ? It costs you money to do away with smoke nuisance ?

A. *Mr. Dixit.*—We do not believe that the smoke nuisance can be done away with. I am using Bengal coal and still we are being prosecuted.

President.—It is hardly worth arguing about. We have got so much ground to cover.

Mr. Majmudar.—When you refer to the Smoke Nuisance Act in force in Bombay it must be pointed out that most of the mills there have gone on to electric power and have been even obliged to sell off their boilers. They have ample boiler capacity and the smoke nuisance has abated.

A. *Mr. Kasturbhai Lalbhai.*—There are a number of concerns which are still on steam power and still there is hardly a case in which a prosecution has taken place while there have already been more than half a dozen prosecutions in Ahmedabad.

Q. Have you any reason to complain that although the same amount of smoke passes out of the chimney in Bombay, the mills are not prosecuted ?

A. We cannot say that.

Q. So it cannot be said that there is a different standard in enforcing the Act in Bombay and Ahmedabad ?

A. There is a difference in enforcement in Bombay and Ahmedabad. Because I have myself seen the Collector of Bombay and the definition he gave me of putting into force

the Smoke Nuisance Act convinced me that it was being differently enforced in the two centres. It is on the authority of the Collector of Bombay that I am saying that the purpose for which the Smoke Nuisance Act has been made is not prosecution but abatement of smoke nuisance by persuading the owners to use a better quality of coal and adopt means whereby the nuisance can be abated.

President.—I do not really think the point is worthwhile worrying very much about.

Mr. Majmudar.—Regarding the number of spindles required to spin necessary yarn for a loom, you said that in Ahmedabad you required about 40 spindles against 30 required in Bombay. May I know if the average reed space of the looms in Ahmedabad is the same as that in Bombay or whether it is different ?

A. *Mr. Kasturbhai Lalbhai.*—I do not know about Bombay ; but in Ahmedabad it will be about 42 to 44 inches.

Q. Perhaps you might have an idea of the Bombay mills ?

A. *Mr. Parekh.*—I have an idea of my own mills where they are constructed on the principle of Ahmedabad.

A. *Mr. Kasturbhai Lalbhai.*—Most of these looms would be plain looms. We do not have drop box looms.

Q. And the sorts you manufacture are mostly from 20s to 30s ?

A. Yes ; generally speaking.

Q. How much 30s yarn and how much 20s yarn is consumed per loom per day ?

A. 6·50 lbs. warp and 3·50 lbs. weft.

Q. Have you any idea of the warp and weft counts of the Bombay mills ?

A. No.

A. *Mr. Parekh.*—I think it is generally 20s and 24s and some mills are 14s and 18s.

Q. As you are on finer counts than Bombay, do you put in more picks or the same as Bombay ?

A. *Mr. Kasturbhai Lalbhai.*—We do not know about Bombay but our picks average about ten.

President.—You say you do not know about Bombay, Mr. Kasturbhai. Would it not be advisable if you did ?

A. Because all along we have been specialising in a special variety which is known all over India as heavy sized goods and we have no objection to improve that. We have been criticized for manufacturing this variety. But because of that variety we have been made to suffer a smaller loss than what Bombay has suffered now.

Q. But my point is this. I would make the same criticism in regard to Bombay as I would in regard to Ahmedabad. You say you know nothing about Bombay and I find that Bombay knows nothing about Ahmedabad. Would it not be a good thing if you know more of each other ? This ignorance in Bombay of what is happening in Ahmedabad and the ignorance in Ahmedabad of what is happening in Bombay shows that, to say the least, the Indian textile industry as a whole is not as alert as it might be.

A. We would have been obliged to know had we been competing severely with the Bombay products. But as it is, our products are going out to all the upcountry centres. Of course in those lines where we come in competition with Bombay or any other centre, we are fully alert and in the matter of shirtings and sheetings the Japanese competition is hitting us hard and we know where they hit us.

Q. You have not produced before us any samples of what you are up against.

A. We will do that tomorrow.

Mr. Majmudar.—You might be analysing the Bombay samples from time to time and finding out whether they are paying.

A. I think Bombay is analysing our samples rather than our analysing their samples.

A. *Mr. Parekh.*—It is a general practice. But they are not manufacturing what we are manufacturing here owing to certain difficulties and we are not able to manufacture that texture here owing to certain reasons.

Q. That is why I say that you would know the quality of the cloth, picks, reed, counts of yarn, etc.

A. Between 20s and 24s, and as for the picks, they might have varieties.

Q. Taking the standard longcloth, I believe the picks are between 11 and 12 and you put in 10 picks.
A. That is an average. We weave cloth from 8 to 14 picks.

Q. The average comes to ten picks.
A. But we do not know about their average. They have about 48 reed and 11 picks, while here we have 48 and 11 too.

Q. What I am trying to find out is whether although you have gone finer in the weft, you put a smaller number of picks or the same number as Bombay in coarser counts, whether you consume the same weight of warp as the Bombay mills. If the number of picks that you are putting in is less whether it is probable that with the coarse warp that you use, the consumption of both warp and weft works out the same or even a little higher than in Bombay ? And in that case as you are using a finer weft whether you require more spindles for spinning that total quantity than the Bombay mills do. Otherwise there is no way of finding out why you require more spindles per loom. Also it may be that in Bombay mills looms are of smaller reed space and you have got looms of wider reed space and therefore you are consuming more yarn.
A. *Mr. Dixit.*—Or it may be that the size percentage may be more.

Q. But that does not affect the calculation as we are comparing the consumption of yarn per loom ?
A. *Mr. Parekh.*—You want to know why Ahmedabad is using 40 spindles for a loom and why Bombay is using 30 ?

Q. Yes.
A. *Mr. Kasturbhai Lalbhai.*—We manufacture from 20s to 30s. Bombay is manufacturing coarser.

Q. Just as in the case of coarse counts the production on the spindle increases, so the production on the loom increases and therefore the loom consumes more yarn.
A. We have told you that our average is about 10 picks. Find out the picks that Bombay is putting in and you will be able to come to the conclusion.

A. Mr. *Parekh.*—I hardly find in Bombay weaving with 7 or 8 picks, while in Ahmedabad they are weaving with 8 or 9 picks.

Q. That means you are using a greater quantity of warp by putting in less picks and the loom requires greater poundage of yarn ; also weft count is finer ; and in order to supply both warp and weft you require more spindles.
A. *Mr. Kasturbhai Lalbhai.*—It is difficult to say whether we are consuming more yarn or not, unless you can tell us what Bombay is consuming. We can tell you only what Ahmedabad is consuming and that is about 10 lbs. per loom, the average quality being 40 reed and 10 pick and the general counts being 20s and 30s.

Q. What is your average production in 20s warp ?
A. 6·35 and 6·50 ozs.

Q. What is the consumption of warp and weft yarn per loom ?
A. The loom will be consuming 6½ lbs. of warp and 3½ lbs. of weft.

Q. What is the production per spindle in 20s warp and 30s weft ?
A. 6·35 to 6·50 ozs.

Q. That means an average of 6·40 ?
A. Yes.

Q. And in 30s ?
A. 3·15 to 3·20.

Q. It works out to about 17 spindles for warp and 18 for weft yarn. That means about 35 spindles in all.
A. It is approximate.

Q. That explains why you require more spindles ; it is due to the fact that you are on finer average counts ?
A. Yes.

(d) Overhead charges

President.—Talking of overhead charges, I find in one of the balance sheets we have obtained for an Ahmedabad mill an item of Rs. 1,250 as subscription to Millowners' Propaganda Fund. What fund is that ?
A. *Mr. Patel.*—A fund was started for certain propaganda purposes in the year 1925 or so for the abolition of the cotton excise duty.

Q. How is it that the item appears in only one balance sheet ?
A. Some have included it and others have not.

A. *Mr. Kasturbhai Lalbhai.*—Others may have debited it to miscellaneous account.

Q. How much did you collect altogether ?
A. *Mr. Patel.*—About Rs. 80,000.

Raja Hari Kishan Kaul.—All spent ?
A. We have a balance of Rs. 20,000.

President.—You say that the water rate on industrial concerns has been increased five times since 1921. Do you mean it has gone up every year ?

A. At a stretch. The Municipal Board was changed in 1921 and at that time there was a very great majority of non-co-operators in it and they unfortunately hit upon increasing the taxation on the mills thinking that the mills were making good profits at that time. The valuation basis which was prevailing till that time was suddenly changed and the new basis immediately rose to 500 per cent. above what it was in 1920. I have here prepared a statement also showing what we paid in the different years and that shows very clearly the amounts we have paid. You find it in the last page—in the appendix. It shows that in the year 1920-21 mills used to pay only Rs. 27,000 as compulsory water tax and Rs. 79,000 as metre charges Suddenly in the year 1922-23 this amount was increased to 1,17,000 and 1,41,000. One to two lakhs increase was sudden.

Q. There are only three changes; you say there have been five.

A. The figures were raised five times. The basis of taxation was raised five times. Where we were paying one rupee we are made to pay Rs. 5.

Q. You mean there is a fivefold increase ?

A. Yes; it is considerably more than that. They recovered also the amount for the previous three years. But the last figures are actually for the year 1923-24.

Raja Hari Kishan Kaul.—There was a change in 1921-22 and the figures are nearly double ?

A. Yes. That was due to a part of the tax coming in one year and the other part in the next year. But the figures for 1922-23 give the real rise.

President.—I do not quite follow. You say "This is charged at the rate of 5 per cent. on the valuation" and then you say "water tax is to be paid for the amount of water consumed. The total amount to be paid against this tax is the same as that of the valuation tax irrespective of the quantity of water consumed."

A. Yes. The tax here is twofold. It is called water rate and is divided into compulsory water tax and meter charges. The compulsory tax is charged from every mill whether it has water pipes or not, because the municipal water pipe gives protection against fire.

Q. On the valuation ?

A. On the valuation basis. Then in addition to this, if a mill has got a water pipe it has to pay on the basis of annas 8 per one thousand gallons of water consumed. Now if the amount to be made up by the water consumed through meter charges is less than the valuation charge, that is, suppose I pay Rs. 5,000 as compulsory water tax, if I consume water to the extent of Rs. 3,000, I am sent an extra bill for Rs. 2,000. That is, my total bill ought not to be less than Rs. 10,000. That is the minimum.

Q. Would it not be more if you consume more water ?

A. Yes; it may be so. That is the minimum.

Q. The point was not clearly brought out. Your point is that you have to pay a minimum charge for water equal to the valuation tax ? You may have to pay more ?

A. Yes.

Q. As regards the terminal taxes, have they been changed recently ?

A. No; I think they have prevailed from the year 1915. There were very few changes thereafter.

Q. Is there any real difference between octroi and terminal tax ?

A. The octroi does not apply to the mills. The mills are mostly beyond the area of the city walls and the terminal tax is applicable to all the mills.

Q. Whether or not they are in municipal limits ?

A. The octroi was applicable in the city wall gates. If the goods are brought into the city, then octroi was to be paid and the mills are mostly situated beyond the city walls. So they would save the octroi tax.

Q. How can they come under the terminal tax ?

A. It is recovered at the railway station.

Q. It is not a question whether you are within the municipal limits or not ?
A. *Mr. Kasturbhai Lalbhai.*—Even those mills outside municipal limits have to pay terminal tax.

Q. How many are there outside municipal limits ?
A. *Mr. Patel.*—There are half a dozen. In the case of this extra tax all the mills were exempt in 1915 ; but in the case of the terminal tax every mill comes under the tax.

Q. I cannot see that the mills have a grievance if they are within the municipal limits.
A. If the whole public has to pay, we have to pay.

A. *Mr. Parekh.*—You see that everything is on the mill commodities.

Q. You say " The rates of insurance for upcountry mills are higher by about 25 per cent. than those prevailing in Bombay ". Is this fire insurance ?
A. Yes.

Q. " In spite of the risk being uniform" ?
A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. What is the reason for it ?
A. Because there is a ring in Bombay of all the insurance companies which decide what rates to be applied to particular localities and what not. I understand that only the presidency towns are given those special rates, while the others are called upon to pay 25 per cent. higher, though they may be providing all sorts of facilities against fire.

Q. Have you taken up this matter with the ring ?
A. Yes.

Q. What was the result ?
A. Nothing.

Q. You have got 66 mills. Why don't you start a Fire Insurance Fund of your own ?
A. We are really thinking of it.

Q. I think if you were really to take serious steps towards staring a Fire Insurance Fund of your own, you would find the 25 per cent. would probably disappear in very quick time.
A. Quite true.

Q. You say " depreciation should be reckoned as a charge on cost of production. The usual practice of mills is in conformity with our views." In what way is it in conformity with your views ?
A. *Mr. Patel.*—That is our practice.

Q. How is it in conformity with your practice ?
A. Most of the mills follow the practice of utilising this fund by adding it to the cost.

Q. What I understand by depreciation being a charge on the cost of production is that whatever the circumstances of the mills, the depreciation at the proper rate should be allowed before any question of profits comes in.
A. That is what is done. That is, every mill in Ahmedabad or the majority of the mills put aside a definite sum for depreciation every year before calculating the profits.

Q. I will give you an illustration from Bombay. The Bombay Millowners' Association agree that depreciation should be reckoned as a charge on the cost of production ; but in many years in the past they have made no allowance. They had declared dividends either without making any allowance for depreciation or making allowance which is considerably below what they should make according to these rates.
A. *Mr. Parekh.*—I understand in Bombay the system is different. Here no sooner is the balance sheet made out than, if there is a profit, we always debit at once without going to the general meeting a depreciation of 5 per cent. and 2½ per cent.

Q. You have always made this provision for depreciation before striking the balance ?
A. *Mr. Patel.*—Provided there are profits.

A. *Mr. Parekh.*—We always debit depreciation on the expenses side when we prepare the balance sheet.

Q. Do you make provision for depreciation when there are no profits ?
A. No. How can we do that ?

Q. Depreciation would be debited even if there were no profits and every year the debit balance would mount up. When profits are made, the debit balance is reduced.

A. *Mr. Parekh.*—For the last ten years it has not been the practice to debit to the depreciation account and show less in the balance sheet.

Q. Then depreciation is not reckoned as a charge on the cost of production. And it is incorrect to say that it is reckoned as a charge on the cost of production. A charge on the cost of production is a charge which has to be paid irrespective of whether there is a profit or not. To the extent that it is not paid, you are not reckoning it as a charge in production. You are reckoning it as a first charge on profits which is not the same thing ?

A. It may be taken as a charge. We are not actually spending money. So we should not debit.

Q. A charge on cost of production means a charge which has to be paid irrespective of every other consideration.

A. But in Bombay they always do that. They set aside the depreciation after the profits, while here they always debit the depreciation fund and then show the profits.

Q. Coming next to the question of audit, who are your principal auditors here ? Have you any firms of auditors in Ahmedabad ?

A. *Mr. Patel.*—Some Bombay auditors also take up the work of audit here.

Q. In Bombay we found the majority of the mills are audited by one or two big firms.

A. Messrs S. S. Engineer & Co. of Bombay are the auditors for nearly 30 or 35 mills.

Q. Who audit the rest ?

A. Some chartered accountants.

Q. Have they a local representative ? The point we want to get at in regard to this question of audit is this. The statement has been frequently made both in regard to Ahmedabad and Bombay that the managing agents have the stocks valued in accordance with their views for the time being. It might in certain circumstances pay them to have their stocks valued at or below market rates for the purpose of balance sheets and circumstances might alter, prices might go up or might go down, and it might look better for "window dressing" purposes if they had the stocks valued at or below cost price ?

A. *Mr. Kasturbhai Lalbhai.*—Here generally one system is followed. If a mill is valuing at the market value it will go on doing so. If it is following the policy of valuing below cost price it will go on following that policy.

Q. It is a matter of course which is capable of verification. The auditors in Bombay, Messrs. Ferguson & Co., whom we examined, say that there were no cases in their experience in which a mill having once adopted one system had ever changed it. Is it so in Ahmedabad ?

A. We can get Messrs. Engineer & Co. to be examined here by you.

Q Yes, it will be better.

Raja Hari Kishan Kaul.—Are there cases in which auditors are related to the mill agents ?

A. *Mr. Patel.*—We do not know of them. It is not so in Ahmedabad.

Q. We have received a definite statement.....

A. *Mr. Parekh.*—One of the auditors is related to some of the mill agents.

President.—Do you consider that a good system ? Do you consider it defensible ?

A. *Mr. Patel.*—It is a very rare case and it is not defensible.

A. *Mr. Ranchhodlal Amratlal.*—He is a joint auditor.

Q. That does not make any difference. I think you would agree that there can be no difference and that it is undesirable that a mill agent should have his accounts audited by a firm with which any relative of his is connected. Would you not ?

A. When it is an independent firm like Messrs. S. S. Engineer & Co.

Q. Would you defend the audit of the accounts of a mill by a firm with which the mill agent is connected ?

A. *Mr. Parekh.*—Not connected.

Q. You say there is one case of that kind in Ahmedabad ?

A. The question is whether the auditor is related to any of the mill agents. I say there is.....

Q. That is a different matter altogether. The question that was put, as I understood the Raja, is whether that relative is auditing the accounts of the mills to the managing agents of which he is related.

A. He is a joint auditor.

A. *Mr. Kasturbhai Lalbhai.*—Simply because he happens to be a relative of a mill agent to disqualify him for auditing that particular mill will be a hardship to my mind, because if he is an auditor only in the case of that particular mill it may be justifiable, but he has I understand 20 or 30 concerns.

Q. Nobody for a moment would consider him as disqualified for auditing generally ?

A. Not for this particular mill. That is true.

Q. You say there is only one case of that kind. How many mills is he connected with ?

A. He has been connected, if I am not mistaken, with some 30 or 35.

Q. How many mill accounts does he audit of mills to the agents of which he is related ?

A. Four or five mills. He is not the only auditor there.

A. *Mr. Patel.*—It is not logically defensible. Is not that the case in Bombay ?

Q. I do not think so. I do not think there is a single case of that kind in Bombay. Messrs. Fergusson and Billimoria have most of the audit.

A. *Mr. Ranchhodlal Amratlal.*—I may say he is appointed by the general body of the company.

Q. We shall get to that later on, Mr. Amratalal. We have heard a great deal in Bombay about the powers of the general body.

Raja Hari Kishan Kaul.—Is it true that stocks are sometimes valued at about one-fourth of the market price ?

A. *Mr. Kasturbhai Lalbhai.*—In some mills it may be. I will just cite to you an instance. In a particular year the cotton price may have gone up. During the last two or three years cotton prices have been ranging very high in the vicinity of Rs. 600 per candy. Three years hence cotton prices were Rs. 300 per candy. That particular mill will go on valuing its stocks at Rs. 300 per candy or a little less. So naturally when the prices have gone up to Rs. 600 per candy they will appear to be very much below the market value ruling in that particular year. But it will be to the advantage of the mill following a very conservative policy that these stocks may be retained at those values.

Q. It would amount to what is called secret reserve ?

A. Just as it is in the banks and other concerns.

Q. I understood you to say that the stocks are usually valued.....

A. At the cost price or market value. There will be hardly half a dozen instances in which the instance you cite may be found.

Q. I wanted to know whether there were cases in which the stocks were valued at one-fourth the market price ?

A. The intention will be such as I pointed out. If they raise prices when the prices go up when the prices go down it will not be conducive to correct balance sheets.

Q. It can hardly be conceived that prices of cotton will fall or rise to the extent of 400 per cent.

A. They have.

Q. By that time that cloth is out.

A. Broach cotton has gone from Rs. 150 to Rs. 900.

Q. In one year ?

A. Minimum and maximum in a number of years.

Q. Your stock was out before the end of the year. If you take it with reference to the price of cotton you value your stocks at something more or less than the cost price.

A. Even then I cannot see there is anything wrong in it.

Q. People complain that it is not a correct method, that it enables a mill agent to get more commission in future years.

A. The commission has got nothing to do with it. Because the commission here is on sale, it is not on profits. In Bombay it is on profits ; here it is on production or sales. Commission will therefore go unaffected whether the stocks are taken at a lower price or at a higher price.

Q. That is the difference between Bombay and Ahmedabad ?

A. Yes, it has been pointed out that the commission is paid here on production or sales.

Q. Sale price ?
A. Actual sales.
Mr. Subba Rao.—Volume of sales or price of sales ?

A. *Mr. Kasturbhai Lalbhai.*—Price of sales.

Raja Harikishan Kaul.—As regards depreciation why should it not be possible to reduce the block capital. You say that you allow for depreciation by reducing block capital, reducing the value of the machinery. When there is a profit you reduce the cost of the machinery.

A. Either taking it to depreciation account and keeping the block account as it is or deducting from it.

Q. If you deduct depreciation from the block capital why should it make any difference, whether there is loss or profit, when the mill is going on deteriorating ?
A. The money we have to deduct as depreciation must be debited in the account.

Q. It is one thing if you have to put it in reserve. When you have simply to deduct it from the block account you merely show it on paper as loss. That is all.
A. *Mr. Parekh.*—Exactly. We show it in the balance sheet as loss but if we have not got anything to that extent in money then how can we do that ? We do not actually pay out of the pocket. We have to make the cross entries deducting the depreciation.

Q. The mill does go on depreciating ?
A. Yes, it does.

Q. If you do not allow depreciation it means that you are calculating upon being able to allow twice the amount of depreciation next year if you have any money available.
A. *Mr. Parekh.*—Yes, we do that if we have made more profits.

Q. You do not show it in this year ?
A. Yes.

Q. But there is a loss ?
A. We do agree with that if we are going to take depreciation as manufacturing charges.

Q. As regards water rates, now that the non-co-operation movement is over can't you move for a revision ?
A. We have been able during the last year to get a rebate of 16½ per cent. which was allowed to property owners and not allowed to millowners. All property owners were allowed 16½ per cent. That was not allowed to mills though we fought for two years. Even though the Municipality resolved against us we applied to Government and Government saw the justice and we have been able to get 16½ per cent.

Q. That is some relief.
A. Next year we hope again to reduce the scale if possible.

Q. Yes, it should be possible to have the tax based on a more equitable basis.
A. In that case the Municipality might think of imposing new taxes if the revenue is short. They have to make up 26 or 28 lakhs.
Mr. Majmudar.—With reference to the question of the valuation of stocks I think at the end of the year usually the mill has about the same quantity of stock every year.
A. *Mr. Kasturbhai Lalbhai.*—That is so.

Q. And therefore the valuation of the stock at a particular rate will not affect the profits of the mill during the year ?
A. Certainly not.

(e) *Sales*

President.—You say that up-country sales are usually effected through commission agents. Does that mean that each mill has its own commission agents, or can a man be a commission agent for more than one mill ?

A. *Mr. Parekh.*—He may be a commission agent for more than one mill. The commission is paid on the sales actually made in a particular centre. Suppose we have a commission agent at Cawnpore. We are not paying the commission for the whole product of the mill but we pay only on the sales he is making; and so if he is a commission agent for only one mill it may not pay him.

Q. But if he is a commission agent for more than one mill he may be pushing the goods from one mill as opposed to another ?
A. One has to look after his own interests. We have got our representatives. We have sent our own clerks. In every centre we have an assistant salesman to assist the sales.

Q. You have your own representative in the commission agent's office ?-
A. Yes.

Q. Just to see that he is dealing fairly with you.
A. Yes.

Q. In Bombay the mill has a sole commission agent.
A. That is not the system here.

A. *Mr. Kasturbhai Lalbhai.*—The Bombay and Ahmedabad systems are very widely different especially with regard to sales. There they have got the guarantee commission agents. They guarantee whether their merchants take up the goods sold or not. Here there is no system of guaranteeing by the broker. Brokers simply effect the sales and if the merchant fails to complete the transaction the liability remains with the mill.

Q. What is the necessity for brokers in Ahmedabad ? Why can't customers come direct to the mill ?

A. Because every mill is producing goods worth about 40 to 50 lakhs of rupees. Various varieties have got to be turned out. New varieties have got to be found out. All that work in Ahmedabad is being performed by these brokers, more or less the whole responsibility, of course in consultation with the Agents because the agents here are more active if I may say so. In addition to making the sales the broker in consultation with the Agent puts in new designs or new varieties, effects sales, goes about enquiring after the demand of the various customers, which it will not be possible for the Agent or salesmen to do.

Q. Do I understand you to hold, Mr. Kasturbhai, that the Ahmedabad mill agents are more in touch with the requirements of the consumers than they are in Bombay ?

A. I do not know about Bombay. But we are certainly in greater touch with the customers.

Q. You think they are ?
A. Yes we are.

Q. How do you account for that ?

A. Because we have got smaller units to look after. Bombay has got very large units. Take the Bombay Dyeing. If they turn out goods to the tune of 3 or 4 crores of rupees it would not pay them to be in touch with petty customers and look after their requirements, while here we have got smaller units and we can certainly look after our customers much better and try to supply their demands to a greater extent than Bombay can.

A. *Mr. Parekh.*—In Bombay the sales are made in the market, while here the customers come to the mills where we are present or the customers go to the different mills and buy their requirements. Of course the brokers go to all these buyers in the afternoon and enquire what sorts are required, whether there is any sort good for that market or not and then he asks those merchants to come to the mill.

Q. They bring him to you the next day ?

A. According to the convenience of the merchants. So we are in touch. We do sell in the mills whereas they do not sell in the mills.

Q. Have any of you got your own shops up-country ?
A. *Mr. Lalbhai.*—Yes, several of us have got them.

Q. How many ?
A. For myself I have got two.

Q. Where are they ?
A. One at Bezwada and the other at Bellary.

Q. Are you an exception or are there many others ?
A. *Mr. Parekh.*—One or two others.

Q. Then you can tell us from your own experience whether that is a satisfactory system. Are you satisfied with the results of having your own shops ?

A. I think that is a most satisfactory system of effecting sales.

Q. An argument against mills having their own shops in which I recognise there is considerable force, especially as you were saying just now that there they are dealing with large units, was brought forward in Bombay which was that the mill agent is after all a manufacturer and if he tries to mix up manufacture and sale he is likely to find the results unsatisfactory ; and that he had much better leave the sales part of it to people who have special experience in that line.

A. That is quite possible.

Q. But when you are dealing with smaller Ahmedabad units that argument is hardly valid ?

A. Quite so.

Q. Through how many hands does cloth pass between you and the ultimate consumer ? Take the ryot in the up-country village. Through how many hands does cloth pass between you and him ?

A. *Mr. Parekh.*—Generally here the system is they have got the commission agents. There are the consumers or consuming market and the commission agent. The agents sometimes buy from mills or sometimes they are buying for sale on their own account. So practically speaking we cannot say definitely that there is the only man in the middle. There may be one merchant who may be buying for Cawnpore. The Cawnpore man may be selling to districts all round or he may be selling to the merchants of Cawnpore, who may be selling to the interior. So it is rather difficult to say how many hands it passes through, but it comes to about two or three .

Q. I think it must vary in different places. In some cases it will be two and in others it will be three. We have referred to the questionnaire to dealers in piece-goods. Now, who are the dealers in piece-goods exactly ? Would you call your commission agents dealers in piece-goods ?

A. Certainly not. I told you that these merchants sometimes buy on their account. Formerly they were buying 300, 500 and 600 bales. Now they find it difficult.

Q. Then the dealers in piece-goods are the people to whom your commission agents sell ?

A. Exactly, the merchants to whom our commission agents or we sell.

Q. The commission agent merely gets the commission on the sales, on anything he sells. There is no question of profit in his case. He has merely a commission ?

A. Merely commission. He has to advance a lot of money to the dealers too.

Q. What commission does he get ?

A. From 1 to 1¼ per cent.

Q. The broker here ?

A. ¼ to ½ per cent.

Q. The commission agent gets nothing but the commission. He cannot add on a profit ?

A. No.

Q. Therefore he is not a dealer in piece-goods ?

A. No.

Mr. Subba Rao.—Which parts of India do you reach in your sales ?

A. The Punjab, Gujarat, etc. ; practically all the different centres of India—Cawnpore, Calcutta, Bombay, Nagpur, etc.

Q. Which are your largest markets ? Where do you sell most of your goods.

A. Calcutta, Punjab and Madras.

Q. Probably you look more to the north of India than to the south ?

A. Yes.

Raja Hari Kishan Kaul.—Delhi or Amritsar ?

A. Delhi and Amritsar.

Section VII

(*a*) *Suggestions put forward by the Bombay Millowners' Association*

President.—With regard to the abolition of customs duty on machinery and mill stores you say "The difference would work out from 2 to 3 pies on the cost of yarn consumed in the manufacture of cloth." Why only on the cost of yarn consumed in the manufacture of cloth ?

Mr. Kasturbhai Lalbhai.—All the yarn.

Q. Yes ; why only on the yarn ?

A. It is very difficult to ascertain the figures for cloth. We go by the number of pieces and the threads, say reeds and picks in a piece.

Q. Is heavy sizing still going on ?

A. Yes.

Q. You are not in a position to give the difference it would make ?

A. So far as the poundage in cloth is concerned, it is very difficult to find out.

Q. How do you consider the abolition of super tax will help the industry ?

A. *Mr. Parekh.*—If we had not paid this tax in pre-war days, we would have saved so much.

Q. Probably you would have paid extra dividends.

A. We have paid taking it from one pocket to the other. But super tax has gone out of our pockets.

A. *Mr. Patel.*—We would have expanded our industry.

Q. I do not see how a tax which is only taken when you made profits above a certain figure can be considered a handicap to the industry.

A. Is it a fact that a similar tax has been abolished in England ?

Q. Yes ; but that does not affect the argument ?

A. Then we have a greater claim.

Q. Why ?

A. If a similar tax has been abolished in England we must follow suit.

Q. I think you would find that argument works various ways. There is an income tax of 4*s.* in the pound in England.

A. *Mr. Parekh.*—There are a lot of deductions. They allow for children, or wife and so on. But here in India they do not allow anything.

A. *Mr. Patel.*—This tax was introduced as a war measure and there was in fact a guarantee that as soon as conditions permitted it would be abolished. We are entitled to its abolition after the war is over.

Q. It seems to be a general question.

A. *Mr. Dixit.*—Even a mill of my size has got to bear the super tax. We have got to pay super tax even if we are making small profits.

Q. Beyond the income tax ?

A. A small percentage of profit will go to super tax.

Mr. Subba Rao.—That may be an argument for more progression.

President.—I take it that you are not really interested in the export market. In replying to Questions 101-102 you have merely followed the Bombay Millowners' Association. The matter is not of importance to you ?

A. *Mr. Parekh.*—No. We sometimes send goods *via* Bombay to Calcutta. The railway freight is prohibitive. Even to Madras we may send by steamer.

Q. I should be glad if you would define rather more clearly what you mean by your reply to Question 104. There again you support the Bombay Millowners' Association's views. I am not quite sure whether their views at the end of our examination quite coincided with what they were at the beginning. Which imports do you consider compete unfairly with India ? You suggest the imposition of " a duty of 13 per cent. on yarn and piece-goods imported from foreign countries which compete unfairly with India." That is rather vague, to say the least of it.

A. *Mr. Patel.*—The last three lines are more explicit, I think.

A. *Mr. Kasturbhai Lalbhai.*—We are looking at it from the stand point of all foreign imports rather than having a duty against one country, because it is difficult to establish which competes unfairly and which fairly. And as we have pointed out in our evidence yesterday, if there be a least desire on the part of the Government to give impetus to this industry, we ought to have a protective duty of at least 12½ per cent. over and above the present duty.

Q. What countries do you call foreign countries ?

A. *Mr. Patel.*—All countries outside India.

Q. That was not the Bombay Millowners' intrepretation of it.

A. But I dare say they are not going to differentiate between countries and countries. They will not be able at least so far as the representatives of the public are concerned to differentiate between country and country.

Q. Then you drop this proposal altogether ? Although you have here agreed with the view held by the Bombay Millowners' Association, I take it that these are not really your views. You want an additional 13 per cent. duty imposed on all imported yarns and piece-goods ?

A. *Mr. Kasturbhai Lalbhai.*—Yes.

A. *Mr. Parekh.*—We distinctly state " foreign countries which compete unfairly. "

Q. Do you still hold to that ?
A. No.

Q. It is your view that the duty should be on all imports.
A. Yes.

Q. Do you still hold to the view that it should be on yarn of counts below 40s and on all piecegoods manufactured from such yarn ?
A. Government can put the duty on all imports. We do not mind it. I think the industry will expand a lot.

Q. It is not a question of what you mind, but a question of what you claim. That is all that we wish to know.
A. *Mr. Patel.*—Our claim is contained in the last three lines of our reply to Question 104.

Q. That being so, one or two questions arise. In the first place there is the question of substitution which has been mentioned by the Bombay Millowners' Association. The Bombay Millowners' Association point out that in the earlier years "the effect of the duty, in fact, was not so much to encourage a general increase in trade as to induce manufacturers and importers to substitute goods of the coarser and duty free kinds for the medium and finer qualities which had formerly, when all classes were alike subject to duty, formed the bulk of the trade.' What the Bombay Millowners' Association represented to us was that if you impose the higher duty on coarser counts then you would drive people to use finer qualities and it would also be possible if the duty were on yarn upto 40s to send in yarn of 42s and to manufacture cloth accordingly. What are your views in regard to that ?
A. We may safely increase the limit from 40s to 60s, if that is possible.

Q. And then I suppose the limit would go up again.
A. As we expand more and more, the limit may expand simultaneously. We feel that if we are given a protective duty up to 60s, we shall be able to manufacture slightly finer counts and it is very essential in the interests of India that finer count spinning and weaving ought to be established. The cotton is available and it is going to be available in the near future and all the rest of requirements for the establishment of industry in finer counts is there. Therefore, we would certainly urge that a protective duty of 12½ per cent. be levied up to counts of 60s. We do not think it is feasible in the very near future for us to spin counts over 60s.

Q. Then it comes to this, as I understand it, that the question of discriminating protection is dropped and that we are now back to the general considerations which were urged before the Fiscal Commission. Is not that your position ? The question of discriminating protection on the grounds brought forward by the Bombay Millowners' Association is definitely dropped and we are back to the general considerations which were urged before the Fiscal Commission ?
A. I think so.

Q. And of course, that is clear also from your reply to Question 105, where you say "we favour the imposition of such a duty on a permanent basis " ?
A. *Mr. Kasturbhai Lalbhai.*—When we have said " permanent measure " it means for a sufficiently long time so as to enable the industry to establish itself. We do not want it for all time to come.

Q. Do you consider, Mr. Kasturbhai, that an industry which has already been in existance for 70 years and which now finds a need for protection will, if it gets protection now, ever be willing to drop it ?
A. Has it not been our misfortune that during the last 60 or 70 years we have not been able to spin above 40s in spite of all the other advantages existing for the establishment of the industry ?

Q. The reason for not spinning above 40s is that you have not got the cotton.
A. As I have pointed out yesterday, if other countries can get cotton and spin finer counts, I do not think that India cannot do it. It has been because India required protection in the beginning for a few years, which has not been granted to her and therefore it has not been possible for her to spin finer counts and weave the cloth from finer counts. This is the opinion of the Members of my Association, that if we have not been able to go in for finer qualities it is because there has not been a protective duty to support the industry in her early days.

A. *Mr. Parekh.*—What is the position of her expansion during the last 70 years, favourable or unfavourable, looking through the years we have passed through ! I understand from the year 1900 we had been suffering till the year 1917 so far as this century goes and then there was the boom period from 1917 to 1922 only. Except these

years, if you take the whole history for all the 70 years you will find that we have been labouring under great impediments and hardships.

Q. That is a matter which is open to argument. This industry like every other industry has had its cycles and I should have said that the steady progress which has been made throughout goes to show that its progress has been distinctly favourable.

A. *Mr. Patel.*—I do not believe in it. I think the progress should have been much more, because the cycles of good profits are very few as compared with the total number of years. For the last 70 years we have had only two cycles of profits.

Q. Which two were those ?

A. One from 1917 to 1922 that was considered to be the best and the other from 1904 to 1907 and this was in the Swadeshi movement. Only these two show our favourable position. Beyond that, for all the 70 years we have been struggling and struggling.

Q. Many a substantial fortune had been built up in the course of the struggle.

A. But what is the percentage in regard to the total industries of the country ?

Q. We are only concerned with the present position. You say that the imposition of the duty may lead to some temporary rise in the price of yarn and cloth—a slight temporary rise ?

A. Yes; because the prices adjust themselves afterwards.

Q. That is not the point. The point is that if there is only a slight temporary rise, what benefit is likely to result to the industry ?

A. *Mr. Parekh.*—It will help the industry a lot. Of course at present if any protective duty is put on foreign cloth, the merchants will think that the foreign cloth will not compete and they will go on buying the Indian made cloth slowly. At present they are much afraid of the foreign competition.

Q. Of what use is a slight temporary rise going to be to the mill industry ? Unless you have a substantial rise, how are you going to convert the 2½ crores loss of the Bombay mills into a profit ?

A. *Mr. Patel.*—We can have a fair chance of withstanding all competition from outside and also of expanding our industry.

Q. The question at issue before a Tariff Board which is enquiring into a particular industry, Mr. Patel, is not a general question like that. It is a question of the specific amount of duty which should be imposed to enable the industry to withstand competition. As you are aware, the procedure followed by the other Tariff Board, of which this Board is off-shoot, in regard to steel was to ascertain exactly the price of steel coming into this country, and the cost of production in this country and then to suggest a duty which made up the difference. But we have no information of that kind. Your proposals are merely based on the most general considerations.

A. *Mr. Kasturbhai Lalbhai.*—We say that there would be a slight temporary rise because Japan has been making quite decent profits and if she were to find that there has been a protective duty of 12½ per cent she may be induced to lower her prices in order to push her goods and therefore the rise in the prices may not be higher considerably or to the extent of the duty levied.

Q. We have got to be convinced, or rather the Government and the Legislative Assembly in due course, would have to be convinced that the effect of the duty would be such as to turn these losses, shall we say, into a profit. If there is going to be a slight temporary rise, how are you going to convert the losses mentioned by the Bombay Millowners' Association into a profit ? What is the advantage of the duty ?

A. *Mr. Patel.*—In that case, would the Tariff Board be prepared to suggest a higher duty ?

Q. It is not a question that you are entitled to ask, Mr. Patel. We are not prepared to give you any information about what we propose to recommend. We want your views.

A. *Mr. Parekh.*—If a protective duty of 12½ per cent. is put, the rise should be in that proportion. But whether it will increase or whether there will be no protection to the industry is the question.

Q. My question is a much simpler one than that. My question is, if you put on an additional duty of 12½ per cent. and that only means a slight increase in the price of cloth, where is the advantage to you ?

A. It will be a great advantage.

Q. How ?

A. Because the foreign goods won't be coming in and so the people will think that there will be no competition. The next day after the Tariff Board recommends the duty, there may be no in rease, but it will be so after two or three months.

A. *Mr. Dixit.*—The idea is merely that the importer may not be able to import his goods against the price level of Indian mills.

Q. Yes. But the Bombay Millowners' Association—I have not got your figures.. . are naturally anxious to convert their losses into profit and I fail to see how they can do so unless the effect of the protective duty is to bring about a rise in prices.

A. *Mr. Ranchhodlal Amritlal.*—We do not want a rise in prices.

Q. You may not want it. But what is the use of the duty if there is no rise ?

A. We stand to gain.

Q. How do you stand to gain unless you get a difference in prices ? If there is no difference in prices, where do you get your profit from ?

A. The foreign goods in India will cost so much more and therefore we shall be able to sell at a reasonable profits against foreign competition.

Q. You won't be able to sell. You cannot have it both ways. Then again you say that the rise in prices will only be slight and be temporary and you also say the prices won't rise.

A. The main question is if we are protected by a duty, then we shall stand competition. The foreign cloth will cost so much more.

Q. Quite so. That is my point. You say the foreign cloth will cost so much more and your cloth will therefore go up in price and therefore the rise cannot be slight, nor can it be temporary.

A. It will be temporary. If those trade conditions settled down, the prices are sure to adjust.

Q. Where are you going to get your profit from if they come down again ?

A. The competitor will not be able to sell in India in competition with the prices prevailing in the Indian mills.

A. *Mr. Patel.*—I understand this prevents a further fall in prices and maintains the level. If there is a slight rise and no fall that may give rise to profits instead of losses.

Q. There is one point to which I draw your attention. You consider ' the higher figures for the year 1913-14 are fallacious, as during that year the imports were highest on account of the abnormally low prices of American cotton '. As a matter of fact, the reason why we took 1913-14 in our question was that it happened to be the last year for which you can consider conditions normal. But does not your answer go to show that if prices are low, it stimulates consumption ?

A. *Mr. Parekh.*—Yes ; but at the same time, it has a bad effect on a falling market. If it is going from the highest to the lowest, if it is going down every day, that means that the consumers are not buying the cloth....

Q. I quite agree there.

A. But in 1913-14, if there was not so much variation in the rise and fall....

Q. I quite agree that there is nothing worse for an industry than a continual falling market. But my point was whether the higher figures for 1913-14 go to show that the lower the prices, the greater the consumption, and that, therefore, if you raise prices in any way, you restrict consumption and you may possibly suffer more by restriction of consumption than you do by increase of prices.

A. *Mr. Patel.*—Even after the levying of the 11 per cent. import duty, the argument has been advanced that it has not checked consumption.

Q. Among other factors it has not been possible to disentangle that factor. I know it is possible to argue the other way. But the trouble is that you cannot disentangle the effect of any duty. There are various other factors. You have definitely stated as an Association that you are in favour of an import duty on yarn of all counts ?

A. *Mr. Parekh.*—Yes.

Q. And you are not prepared to agree to the exemption of counts above 40s ?

A. As an Association, of course, we hold that view.

Raja Harikishan Kaul.—What is the basis of this 12½ or 13 per cent. import duty which you are now proposing ? The Bombay millowners proposed 13 per cent. duty because the Japanese had an advantage of 8 per cent. in exchange and 5 per cent. in double shift

and night work by women and children. That was the basis. What is the basis of your claim for 13 per cent. ?

A. *Mr. Parekh.*—The same thing.

A. *Mr. Kasturbhai Lalbhai.*—The basis we take is that the 11 per cent. duty has not given us any protection whatsoever. 10 to 12½ per cent. will give us the minimum protection that we can think of.

President.—Why has the 11 per cent. duty given no protection whatever ?

A. *Mr. Kasturbhai Lalbhai.*—Because during the last three or four years we have suffered such a lot and imports have come in such large quantities. Had there been any effect of protection, it should have affected the imports either of the Japanese goods or those imported from the United Kingdom.

Q. If that is so what guarantee is there that an additional 12½ would give you that protection ? If 11 per cent. had given you no protection whatever what reason is there to believe that 12½ per cent. additional duty would give you any protection ?

A. Of course there is no guarantee in such cases.

A. *Mr. Dixit.*—He means "not appreciable."

Q. It does not make any difference. If it has not made any appreciable difference what guarantee have you, or we, that 12½ per cent. would make any difference and that you will not be asking for another 25 per cent. in three years' time ?

A. There is no guarantee in these cases, because in the case of the steel duties they recommended a particular duty which did not give them the slightest protection and within three months' time they have to ask for another protective duty. And so we have to see what happens. But our general view is that if we are given 12½ per cent. we shall have sufficient to get ourselves established in finer qualities.

Raja Hari Kishan Kaul.—Why 12½ per cent. and not 15 ?

A. *Mr. Kasturbhai Lalbhai.*—We have tried to take the minimum that we can possibly think of.

Q. How have you worked that out ?

A. We have not scientifically worked out that 12½ per cent. We have thought of the exchange position. Even if exchange were to go to 1*s.* 4*d.* we should still require some protection though we may not require the full 12½ per cent. Exchange is not the only basis on which we have asked.

Q. You might have said double the present duty, to make it 22 instead of 11. You evidently have been thinking of exchange when you proposed 12½ per cent. Because the other basis you have given up. Now you propose a certain specific figure.

President.—When you take 12½ per cent., you are following the Bombay millowners ?

A. No, we feel 10 to 12½ per cent. duty will give us sufficient protection.

Q. I thought you were taking the 12½ per cent. merely because the Bombay Millowners had done so.

A. That is not so. That case we have already given up.

Q. I am interested to know that and to have it on record. I was certainly under the impression that your 12½ per cent. was based on the statement of the Bombay Millowners. I did not realise that it was based on entirely different considerations from what the Bombay Millowners had advanced.

A. *Mr. Kasturbhai Lalbhai.*—That is so.

Q. I am not questioning it. I am merely saying I did not realise it.

Raja Hari Kishan Kaul.—Your answer to Question 104 probably does not stand now. In view of what you have said you alter your proposals as regards this import duty ?

A. Yes we have.

Q. You first suggested that there should be an import duty only on counts up to 40s. Then you have gone to 60s. Now you think that up to 60s there should be one rate of duty and after that there should be none.

A. After that whatever duty is required for considerations of revenue may be taken.

Q. We have got that all right. So you propose an additional import duty up to 60s.

A. On yarn and cloth.

Mr. Subba Rao.—Your demand for protection comes to this. It is practically the argument of the infant industry more or less, that you want to spin finer counts, and that if you get protection for a time you will be able to develop and later on will be able

to do without protection. It is practically on all fours with the argument for the development of an infant industry ?

A. Not only infant industry. We shall be getting protection and that will enable us to start spinning and weaving of the finer counts as will protect us from this unfair Japanese competition which we are meeting to-day.

Q. But which is it you are laying stress upon now ? I thought it was finer counts, and that you will be able to spin finer counts.

A. We are anxious to spin finer counts having met the Japanese competition from which we are suffering to-day. We shall not be able to do that in a day if the 12½ per cent. protective duty is levied. During the short time to come we shall be getting protection from the unfair competition.....

Q. You cannot locate the fairness or unfairness ?

A. And at the same time it will enable us to establish the industry in finer counts.

Q. Therefore you want to develop the industry from the present stage to a higher stage ?

A. Certainly.

Q. So in that sense your case for protection is somewhat different from that of the Bombay Millowners who lay stress upon Japanese competition and want protection specially for the lower counts whereas you want it for higher counts.

A. We say up to 60s.

Q. Whereas they lay stress upon counts up to 40s.

A. *Mr. Patel.*—Ours is an advance beyond Bombay.

Q. You are thinking of finer counts.

A. It is not exclusively between 40s and 60s.

Q. But you lay stress upon finer counts. They are thinking of the present competition whereas you think of future development ?

A. We thought that we are not going to get these opportunities of enquiries by the Tariff Board so often and therefore we thought we had better speak out our minds boldly and let Government and the public know that we have not been able to develop this industry in finer counts because we have not got any protection whatever and if a protective duty is placed now we shall be able to withstand the foreign competition from which we are suffering to-day and at the same time be able to establish the industry.....

Q. It is therefore a demand for more comprehensive protection and not limited to the unfair competition on the part of any country. It is more comprehensive.

A. *Mr. Kasturbhai Lalbhai.*—Certainly.

Q. As the President said you should furnish us with some basis for settling the rates, your own cost and the cost of imported yarn and cloth. You should give us those figures as the other Tariff Board got the figures from the Tata Company.

A. You mean to say that we have to supply the prices officially.....

Q. You ask for a certain rate of protection. We take it that you have based it on certain definite calculations of what your cost is in relation to the cost of the competing article.

A. We do not know their cost. We know the selling rate.

Q. The C. I. F. rate ?

A. We have not based our claim for protection of finer counts on the difference in the cost of production in the foreign country and this country. We have based our claim for protection on the belief that it is not possible in face of the keen competition with finer goods to get our industry established in finer quality unless we have some protection in the beginning.

Q. So it is a general claim and not based upon a comparison of the cost at home and the price at the ports ?

A. No.

Q. So the 12½ per cent. does not bear any relation whatever to the relative prices, it is entirely a sort of general demand and not based upon actual calculations ?

A. No.

Q. Is it not reasonable that we should ask you to make that calculation ?

A. Yes.

Q. Then about the duty and its incidence. If you want now to have protection of 12½ per cent. for counts below 60s will it not make the burden larger on the section of the community least able to bear it ? You want protection on counts 60s and below ; and

not particularly on the counts above that. Will it not make the duty heavier on the section of the community consuming coarser cloth and not on others ?

A. The advantage to be derived from it would be for finer counts.

Q. But, immediately, the burden becomes greater on the poorer section and the middle classes as against the section that is better off in India.

A. Considered from the point of burden every protective duty is a burden.

Q: That is right. Therefore if a remedy can be devised that would limit the burden, you would prefer that ? I am asking you not because I desire to suggest the remedy myself but because it was proposed by one or two witnesses that instead of a duty the industry concerned might get a loan or a bounty because then you would localise the help given and not spread the burden both on the consumers of the home made cloth and the consumers of imported cloth. The price is bound to go up to some extent. If I understand you aright you want some help to compete against foreign countries. Would any scheme of bounties meet your needs ?

A. No.

Q. Why not ?

A. Because we do not think it is desirable to bolster the industry by bounties.

Q: Where is the difference, whether you get help from the State in the form of a bounty or from the consumers ? Don't you get help from a third party ?

A. We do get help from a third party. There is no doubt.

Q. Then where is the difference ? So long as you get some monetary help, so long as you get a margin to make the gap between the price and your cost as little as possible ?

A. *Mr. Dixit.*—What kind of bounty do you suggest ?

Q. I am merely speaking of a cash bounty, giving you so much as the Tatas are getting.

A. For what term ?

Q. The same term as your import duty.

A. *Mr. Parekh.*—That is also putting a further tax.

Q. In the case of an import duty you tax the consumers of the whole product not merely of the foreign product. You make the area narrower here. The amount of bounty given will be less. You put on a burden equal to the excess required. In the other case they pay the duty also on the foreign products.

A. The duty the Government will be getting will help the Government to reduce the other taxes.

Q. That is not the point. That is a different point. You are concerned with getting something more to make your position better. In that case what objection have you against a bounty; not that I am to be understood as recommending it but it has been suggested ?

A. *Mr. G. I. Patel.*—I think that the incidence of the bounty would be greater on Government revenues than the incidence on the consumer.

Q. But the one is seen, the other is unseen.

A. If you take the proportion and strike out the incidence the incidence of the bounty would be materially higher.

Q. Supposing the bounty is paid by means of a tax, is not the tax spread over more people than the cotton duty ?

A. We should not like to have a bounty at the cost of new taxes.

President.—Does not the taxpayer pay the import duty ?

A. But the incidence is quite different. So far as the economic side of the question is concerned every consumer pays an insignificant amount during the course of one year while in the case of Government the incidence on the revenue would be very great.

Q. Where does the revenue come from ?

A. From the people of course.

Q. Therefore the incidence of the additional taxation would be less than the incidence of the import duty on both the home made and foreign cloth.

A. Mr. Kasturbhai Lalbhai.—As far as the protective duty is concerned it is quite possible that the amount of protective duty may come from the exporters of the piece-goods.

Mr. Subba Rao.—To the extent that the foreign importer bears a part of the import duty you get no protection at all. If he can sell at the old price or at a little above the old price either you get no protection at all, or the protection is reduced to that extent. If you want exactly to determine the help required it must be by means of a bounty.

A. We feel a protective duty of 12½ per cent. Would be better than a bounty.

Q. For what reasons ?

A. *Mr. Dixit.*—We do not think that foreign competition would be lessened by bounties.

Q. But won't your ability be greater to compete with it ? Your trouble is that your expenses are greater than their selling prices in your market. If that is made good to you how are you worse off ? In the one case you make your prices higher. In this case your cost is made lower for you.

A. *Mr. Kasturbhai Lalbhai.*—But if the foreign competition continues longer then we may be in need of bounty while if there be a protective duty and if it is coming out to a certain extent from the pockets of the foreign exporter then it may stop him from competing after some time. He may feel the pinch.

Q. To the extent he is paying the duty you are getting no advantage. In this case as in the case of the import duties you are getting some help. You can improve your organisation and develop your production and lower your expenses and be without this State help, just as in the case of import duties you produce more, lower your cost and say you can stand on your own feet. The case is not different. But as somebody pointed out, in the one case the industry will know exactly how much help it is given. In the other case the danger is that the help may be concealed by the circumstance of the incidence of the duty not being quite obvious. That is the difference. From the tax payers' point of view it is desirable to make the help given to the industry as conspicuous as possible. You have no objection to that so long as you get the requisite help ?

A. We do not favour the bounty system.

A. *Mr. Patel.*—We select our alternative in the import duty ; and if that is not sufficient then we may call upon you for a bounty.

Mr. Majmudar.—I understand that you want protective duties up to 40s counts to meet the Japanese competition and, above that, from 40s to 60s in order to build up the fine count industry ?

A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. In case the latter is not possible would you give up the first one ?

A. Certainly not. We already said that we want to have the protective duty for two purposes. We want to meet the foreign competition and also if possible to establish the industry in finer counts. If it is not possible or if the Tariff Board does not think it desirable to give us the protective duty for the establishment of the finer counts, we would certainly not let go our claim for meeting the competition in the coarser counts.

Q. Then in the case of coarser counts on what basis do you fix the duty at 13 per cent.

A. On the basis of the Bombay Millowners' calculations.

Q. In the matter of bounties supposing a certain bounty was given to you would it be possible for you to distribute it between all mills ?

A. *Mr. Dixit.*—We do not favour a bounty at all.

A. *Mr. Patel.*—It depends on the nature of the bounty.

A. *Mr. Parekh.*—Would the bounty be given to the Association or to the different mills ? Who is to distribute the bounty ?

A. *Mr. Patel.*—It depends on the principle of distribution.

Q. It will be distributed to those mills that will be spinning the particular fine counts.

A. *Mr. Ranchhoddlal Amratlal.*—We want a protective duty for all counts up to 60s. Therefore it is not specially meant for fine counts.

Q. Here the question has been raised that in order to build up the fine counts industry a protective duty should be levied for counts above 40s also. But if instead of that a bounty is given, would it be possible for the mills to fix as to which mills should spin those fine counts and get the advantage of the bounty ?

A. *Mr. Ranchhodlal Amratlal.*—Is this question put granting that the protective duty...

Q. These are all assumptions. Assuming that the bounty is given for counts above 40s, would it be possible for mills to arrange amongst themselves as to which mills should spin them and get the bounty ?

A. *Mr. Parekh.*—No.

(*b*) *Other suggestions*

President.—You say here, Mr. Chamanlal, that if it be argued that an export duty on cotton would reduce the income of the cotton growers it may be stated that they would naturally grow foodstuffs which would bring down their level of prices. If that be so, why don't they do it now ?

A. *Mr. Parekh.*—Because they are getting good price for cotton. If the duty is put on then the cotton will go down and we cannot consume the whole production of the

country. So if the prices were to go down the farmers will turn from cotton to food grains.

Q. I do not understand your saying that they would naturally prefer to grow foodstuffs.
A. If they get good prices for foodstuffs, they will go in for them.

Q. You say "we are in favour of an export duty on cotton of about 5 per cent. which may be earmarked for the improvement of cotton cultivation." But if the effect of the duty is going to reduce the area what is the object of levying the duty to improve cotton when you are going to reduce the area under cotton ?
A. To improve the quality.

Q. What is the object of improving the quality ? If you levy an export duty on cotton which prevents the cultivator obtaining the full price do you think he is going to bother much about the quality in future.
A. *Mr. Patel.*—In regard to this question we have clearly put down that the revenue from this duty may be earmarked for the improvement of cotton cultivation. It is for the agriculturists. If it be proved that it is not in the interests of the agriculturists to have such an export duty then we are not keen over it. We do not want the duty for revenue purposes. If the duty is to fall on the agriculturist it must go to the good of the agriculturist and if it be contended that it does not do any good to the agriculturist we may say it may be safely dropped.

Q. I do not see what good a duty of 5 per cent. would be to you ? Five per cent. won't help you much. You would want something in the neighbourhood of 20 per cent.
A. That would be prohibitive for them.

Q. Exactly, but could anything less than that can help the industry ?
A. *Mr. Kasturbhai Lalbhai.*—There has been a difference of opinion regarding this export duty on cotton and we are not at all keen about this.

Q. I rather gathered as much. In these circumstances, we won't examine you at length in regard to it.

In regard to banking facilities, is this system which you refer to of demanding double securities restricted to Ahmedabad ?

A. So far as I understand Bombay and Ahmedabad. It is not for Ahmedabad alone.

Q. You are not worse off than Bombay in that respect ?
A. *Mr. Parekh.*—Not in the matter of double security.

Q. I suggest one method of organization to you. You say it is difficult to ascertain the nature of improvement in the industry by better organization of millowners. suggest one method, a possible method of organization, which is to have your own fire insurance scheme, or at any rate to threaten the ring ?
A. *Mr. Kasturbhai Lalbhai.*—Yes, we will.

Q. I gather from our discussion this morning that you are at any rate much more closely organised as regards wages here than they are in Bombay. We find a very marked difference in the rates of wages of people between the different mills in Bombay. But that is not the case here. Your rates vary very little.
A. Yes.

A. I gather that you do not consider that there is much room for combination in such matters as the purchase of cotton machinery and mill stores ?

A. We do not think it is feasible because one mill agent will be purchasing in the month of June and the other in December. Now it is not likely that both persons who are out in the market for machinery will make their purchases in the same month. While one will think that prices are likely to go up others might think they will go down.

Q. Something has been recently done in England in regard to the standardisation of prices.
A. *Mr. Kasturbhai Lalbhai.*—But as was stated yesterday, we did the same thing last year, when the need arose.

Q. That was a special circumstance. The question arises whether you could do that in ordinary circumstances.
A. We can do that only in conjunction with the Bombay Millowners.
A. *Mr. Parekh.*—We have got the fear of competition by the foreign markets. If we combine and settle the prices, the foreign goods will come in with a rush. That is one of the reasons why we cannot do that.

A. *Mr. Patel.*—There is also the basic price in England. England exports yarn and it does not import as such. It is in a position of fixing the basic price. It is impossible here.

Q. Your production of bleached goods has increased considerably of late ?
A. *Mr. Parekh.*—Since the last year or two.

A. *Mr. Kasturbhai Lalbhai.*—In the last few years we have increased.

Q. Don't you consider it would be an advantage if the production of bleached goods were shown separately in the statistics which give grey and bleached goods together ?
A. *Mr. Parekh.*—If such information is asked for, we will be glad to supply it.

Q. It is very difficult to see how the imports of bleached goods compare with the increasing production in India.
A. *Mr. Patel.*—Till 1925 we used to supply the figures separately for purposes of assessing the cotton excise duty ; but later on they are classed together.

Q. That brings us to the last question which you have not answered here which is whether you consider that a specific tariff should not be substituted for the present *ad valorem* one.
A. *Mr. Kasturbhai Lalbhai.*—We would like to take some time before replying to that question, because it is very complicated and we do not want to get ourselves committed to any reply now.

Q. Certainly. It looks very much as if we shall have to bring you down to Bombay.
A. We shall come there with pleasure.

A. *Mr. Parekh.*—Bombay has got preferential freights. Though Calcutta is the same distance we are charged nearly Rs. 1-1-0 more for travelling the same distance.

Q. We will look into the question.

Raja Hari Kishan Kaul.—I will just ask you one question regarding this export duty. Do you propose this export duty in addition to the import duty or as an alternative ?
A. *Mr. Parekh.*—We are not keen about it and when we propose this it is an extra duty.

Q. That is in addition ?
A. Yes.

Q. And I suppose you know it would mean a loss of something like 5 crores of rupees to the cultivator ?
A. *Mr. Kasturbhai Lalbhai.*—We have already pointed it out.

Mr. Subba Rao.—Mr. Patel, you said that in England it was possible to fix the basic price, because English firms had no competition at home. But that only shifts the field of competition, because they have to compete in the foreign countries.
A. They do not import and they are in a better position than we are here in India.

Q. That makes no difference, because they have to sell the yarn abroad. To that extent, in foreign countries there is competition. I am merely suggesting that you are ignoring the fact that they have to stand competition with America and other countries.
A. I think this yarn is not manufactured there in the form in which it is manufactured in England. They prepare yarn on small paper tubes and the whole thing is wound on the tube and that is a special yarn which is not prepared by any other country. It is practically a monopoly of England. Therefore they can fix the basic price of that.

Q. It is not a question of want of home market but want of competition. It is a monopoly advantage. That is a different point.
A. Yes. That creates the situation in which they can fix the basic price, while we are not able to do it here.

Q. Whether they produce in England or elsewhere, you have got to sell and you have to face the competition either in the foreign or home market. Therefore it is a question of monopoly advantage and that is different ?
A. Yes. That is the case with the jute millowners.

Q. With regard to banking facilities, it has been stated that mills are not able to get loans with such ease as they would desire. Is it a serious point ? Does any good mill that wants finance find it difficult to get money ?

A. *Mr Kasturbhai Lalbhai.*—Yes.

Q. Would you support any scheme whereby you get loans on the lines of takkavi loans at a low rate of interest ? Would that find favour in your eyes ?

A. *Mr. Patel.*—I would refer to the suggestions placed by Sir Purshotamdas Thakurdas before the Currency Commission, about the kind of loans to be granted. He asked certain questions to which he brought out certain answers in regard to this point. He suggested that loans should be advanced to the mills on the same principle as the Trade Banks.

Q. That is for working capital ?
A. Yes.

Q. I was thinking of a proposal for the purchase and improvement of machinery. You think there is a greater need for working capital ?
A. Yes.

Q. And the amount is not obtained easily ?
A. No.

Q. And any scheme whereby it could be obtained easily at a low rate of interest would find favour with you ?
A. Yes.

Mr. Majmudar.—You say the basic prices are fixed for yarn in England and that is due to the monopoly that England holds in the manufacture of that particular yarn. Has England been able to work more spindles or to work longer hours after fixing minimum prices ?
A. *Mr. Patel.*—That is a recent method. It is a new experiment.

Q. The fixing of prices would only stop under-selling. That means it would stop losses which some mills are making.
A. How far they are successful we have to see yet.

Q. Will that give them a chance of working longer hours or will they be able to sell more ?
A. That can be proved by the results.

Q. At present they are not able to sell at these prices and then if they fix minimum prices they won't be able to sell more and they cold have no advantage.

A. That we have to see from the results hereafter.

President.—I think you wanted to bring out another point.

A. *Mr. Kasturbhai Lalbhai.*—If the Ahmedabad mills are given facilities for railway sidings it will go a great way in removing a great handicap. There is a very good scope for supplying the siding. I do not see why when the jute mills and collieries and other factories up countries have been provided with such sidings, there should be any objection on the part of the railway authorities to supply sidings to us. As I understand, the railway sidings have not been supplied to any mills in Ahmedabad except in a particular area where they have got the signal posts. Beyond the signal posts they never care to allow the sidings.

Q. Have you made applications ?
A. At present we have not, because we know the difficulties. If your Board were to recommend for granting us sidings on the same basis as recommended in the Coal Commission Report, page 68, then it would be a great help to us.

Q. Would you accept the same conditions as laid down there ?

A. Certainly. Another inequality is that where there are sidings they are still charged terminal tax, which ought not to be done. In the case of coal they have let go the terminal tax, while in the case of other commodities they are still retaining the terminal tax, which is not a fair proposition.

Q. We will certainly go into that point.

A. *Mr. Chamanlal Parekh.*—These are the freight statistics. (The statement was handed over to the President).

President.—Do you consider, in view of certain happenings in Ahmedabad, that it is desirable that the Indian Companies' Act should be amended ?

Mr. Kasturbhai Lalbhai.—Yes.

Q. In what direction would you propose amendments?

A. Especially with regard to this lending out of money by one mill to the other mill under the same agency or the agent or relation of which has got something to do with the concern in which the money is lent. This ought to be stopped.

Q. Is there any other way in which you suggest an amendment, Mr. Kasturbhai? Have you thought about it?

A. I think in the matter of audit, it is very desirable to have a running audit in the case of large concerns. Say when the capital has reached a particular amount, monthly service should be made essential. That is my personal view.

Q. Would you agree to that, Mr. Chamanlal?

A. No; I won't. It is rather difficult.

Witness No. 2.

THE AHMEDABAD MILLOWNERS' ASSOCIATION

Supplementary Statement dated 25th October 1926

With reference to certain criticisms made against the Ahmedabad millowners we beg to state as follows :—

(1) Regarding directors and their appointment in Ahmedabad mills we may say that the best available men connected with the commercial and industrial life of Ahmedabad are selected to act as directors and this will be apparent from the balance-sheets presented to the Board. In some cases men of status in the civic life of Ahmedabad are also elected to act as directors. Questions of policy are always decided in consultation with the directors.

(2) We do not approve of the system of investing funds of one concern in another concern belonging to the same agent.

(3) With reference to the statement that the mill-chawls are being farmed out to Pathans and Banias, investigations reveal the fact that this statement is far from the truth. These chawls are built for operatives in mills and in almost all cases they are occupied by them, the rent being recovered by the mills on the pay day.

(4) The statement made by Mr. G. Findlay Shirras that the cost of production in Ahmedabad is much less than that in Bombay is incorrect and this fact will be borne out by the information supplied to the Board by us.

Witness No. 2.

THE AHMEDABAD MILLOWNERS' ASSOCIATION

Further oral evidence recorded at Bombay on the 28th October 1926

The following gentlemen represented the Association :—

Mr. Chamanlal G. Parekh,

Mr. Kasturbhai Lalbhai,

Mr. Ranchhodlal Amaratlal,

Mr. H. K. Dixit, and

Mr. G. I. Patel.

Mr. Kasturbhai Lalbhai.—Before we begin, Sir, I want to know whether we are going to be questioned on points of costs of production, and if that is going to be the case to say that then we would like to be absolutely in camera.

President.—That is exactly what we propose to do. Unfortunately we received your cost of production sheets only very recently and we have not yet had time to examine most of them, but we propose to ask you a few questions about them when the public meeting is over. There is no question whatever of referring to them in this open session.

Mr. Kasturbhai Lalbhai.—Thank you.

Q. The first point I should like to raise is that though the Tariff Board has now been sitting for 3½ months it has not yet ascertained exactly what the real state of affairs is in Ahmedabad. The first question we put in our general questionnaire, as you know, was regarding the extent of the depression, that is the extent to which it had been felt in various centres, and we asked you amongst other things to supply us with a statement similar to the one produced by the Bombay Millowners' Association giving the general position of the industry. I was about to say that we have not received it; but you have forestalled my remarks to some extent by producing it here. It is a little unfortunate that it has been left till to-day. If it had been submitted a little earlier, we should have had an opportunity of going through it and being able to study it.

A. *Mr. Patel.*—We have submitted two more cost of production sheets.

Q. You promised the day after we examined you at Ahmedabad about six weeks ago, to send us a statement showing the dividends paid by the Ahmedabad mills since 1920. Is that statement ready yet ? We understood we were going to get a statement showing the dividends paid by individual mills since 1920, similar to the one which is published by 'Capital' for the Bombay mills.

A. We thought it was the total.

Q. I thought I had made it quite clear. That was not what we asked for. We wanted that statement as well, but we wanted a statement showing the dividends paid by individual mills in Ahmedabad

A. We have got that statement.

Q. Unfortunately your balance sheets with very few exceptions are published in Gujarati....

A. This contains the statement for each individual mill.

Q. We also wanted a further statement for Ahmedabad, similar to the one given in Table 1 of the Bombay Millowners' original statement showing the progress of mills in Bombay.

A. We submitted it at the time.

Q. But that was only for two or three years.

A. For the last five years.

Q. That was of very little use to us. We wanted a statement for as many years back as possible.

A. We have taken it for the last five years. Beyond that if you want we will have to look i. up again.

Q. It should be from 1914 at least. We want the figures from 1914 at least, the average numbers of operatives, the number of looms, the number of spindles, etc. As far as we are concerned, the difficulty is that Ahmedabad is not shown separately in the annual statement of the Bombay Millowners. There Ahmedabad is merely shown as

part of the Bombay Presidency. It is a little difficult owing to the way in which the particulars are given to ascertain exactly which are the mills in Ahmedabad and which are not.

A. We will enquire at the local Association's office and examine their charts and ascertain the differences in figures if any.

Q. I cannot help pointing out that an industrial centre as large as Ahmedabad, and an Association as important as the Ahmedabad Millowners' Association should be in a position to emulate Bombay in regard to the publication of figures. You have a separate Association, and it does seem extraordinary that your annual report should contain no statistics of any kind relating to the industry in Ahmedabad ?

A. We are anxious to introduce some more statistics from the next report.

Q. When an application of this kind is put in before a Board like this, the Board naturally expects to be supplied with the fullest facts and figures, but that has not been done. If you will endeavour to furnish us with the figures as far back as you can in as short a period as possible, it would be of much help. We have been sitting as I said before for 3½ months, and the time is now naturally getting short, and therefore if you will take steps to rectify the omission as far as you can in the course of the next few days we shall be very much obliged. The figures we now want are for spindles and looms from 1914. We should have liked a statement showing the dividends declared since 1920 by individual mills. Is that possible ?

A. This statement contains figures from 1921. We thought we were required to submit the statement in the form in which the Bombay Association gave it.

Q. We wanted that statement and the other as well.

A. The figures of looms and spindles were submitted from 1922 to 1925 at the time of the first examination.

Q. Those are not of any very great assistance. The important point is to see what changes took place during the war period and immediately after. A statement for the last four years is not of very great help. Then you promised us some figures of wages in other industries ?

A. We enquired from the Match Factory but they refused to give us any secrets of their wages.

Q. A further statement that you promised us was of stocks in pounds in Ahmedabad. Have you got those figures ?

A. I did not promise such a statement, I think.

Q. I think you did. If you refer to your evidence you will find it.

A. It is difficult to get it in bales.

Q. Yes, you said it is difficult to get figures in bales but you said you would get them in pounds.

A. *Mr. Chamanlal Parekh.*—We said there would be no difficulty.

Q. And we said we should like to have them. Surely, isn't it in the interest of the Ahmedabad industry to have figures of stocks exactly in the same way as in Bombay ?

A. *Mr. Patel.*—We had not the Bombay system.

Q. I know you have not, but would it not be in your interest to have the figures ?

A. We collected the figures in 1925 when the urgency was most and thereafter it was difficult to get regularly from all mills all these figures.

Q. Why is it difficult to keep them regularly ? The Bombay millowners do not find any difficulty in keeping them. Why should you have any greater difficulty than the Bombay Millowners ?

A. The difficulty is that we have to calculate *kutcha* bales and *pucca* bales and loose stock.

Q. You can get them in pounds if you can't get them in bales. My point is as you know that one of the questions on which we shall have to report is whether the industry is managed with reasonable efficiency and economy, and it is a little doubtful, to say the least of it, whether an industry can be said to be managed with reasonable efficiency and economy when its statistical information is so inadequate. You said it would be possible to give the monthly stocks in pounds and I understood you were going to do so.

A. *Mr. Kasturbhai Lalbhai.*—I said it was possible to collect the figures. We did not understand then that you wanted it ; otherwise we would have done it.

Q. I am sorry ; we understood you were going to give them.

A. *Mr. Chamanlal Parekh.*—It is possible, but we did not understand that you wanted it.

Q. I am afraid we understood that you were going to send them. We will now pass on to our first question which is, has the general position in Ahmedabad changed since we last met you ?

A. *Mr. Kasturbhai Lalbhai.*—Yes, it has for the worse.

Q. To what do you attribute that ?

A. The heavy drop in cotton prices.

Q. In fact to a world factor ?

A. Yes, if you say so.

Q. Do you wish to enlarge on that point ?

A. Our stocks have been accumulating because the cloth merchants have lost faith in the price of piecegoods. Cotton prices have been dropping from day to day. Also the buying power of the agriculturist is thought to be going down because the prices he is going to realise for his raw product—cotton—will be much less. That is, he would have been able to purchase more if the cotton prices had remained at a higher level.

Q. In your original statement, Mr. Kasturbhai, you said that the operation of world factors did not contribute to the depression. But this fall in the price of cotton which you now say accentuates the present depression is a world factor, is it not ?

A. It is, but it is only during this period. The depression the industry has been suffering for the last three years was not due to world factors. At present it has been affected by the world factor, but that does not mean that during the last few years it had been affected by world factors.

Q. The present fall in the price of cotton is due to an unusually heavy American crop and that was the same last year and I believe the year before. Last year and the year before the price of cotton was falling as it is now. Is there therefore any special reason to believe that the accentuation in the depression this year which is due to an unusually heavy American crop is a different factor from the accentuation in the depression last year or the year before, when there was also a heavy American crop and a fall in the price of cotton ?

A. Yes.

Q. Are there special circumstances about the American crop this year which differentiates it from the American crop in the last two years ?

A. As I pointed out, last year when we were suffering from depression in the textile industry America and Japan which have also big textile industries did not suffer to any extent but on the other hand were making profits. The drop in the price of cotton during the last two or three years has been a gradual one and therefore the confidence of the merchants was not shattered to the extent it has been shattered recently. Before the time the Board visited Ahmedabad the prices were dropping but were not dropping with that suddenness that they have dropped during the last fortnight or four weeks, and therefore the depression has been accentuated.

Q. Quite so. It simply means that owing to this heavy American crop, this factor has operated much more quickly than it has in the past. I cannot see the difference in the character of the factor.

A. My point is this that during the last two or three years while India has been passing through a phase of depression in the textile industry Japan or America was not. Had there been a world depression Japan and America would have been affected to the same extent that India has been affected. At present of course the situation is accentuated, and that is because of the world factor.

Q. As regards America I am not quite sure that your statement is quite correct ?

A. I think Mr. Findlay Shirras who gave evidence before you said that in Massachusetts and other districts in America they were working 63 hours full time in almost all the mills.

Q. Not as regards Massachusetts, Mr. Kasturbhai. His point was that Mussachusetts had a Factory law and some other States had not. Mussachusetts I believe is working only 48 hours.

A. If you will kindly examine his evidence, I think he said that almost all the textile factories were working at full pressure and were making a profit. He said there was no unemployment there. Had there been a depression there would surely have been some unemployment.

President.—I have a reference showing that the American Government appointed a commission to investigate the causes of the depression in the Cotton textile industry in America. I am endeavouring to get a copy of the report of that commission.

A. *Mr. Kasturbhai Lalbhai.*—That was much earlier.

Q. Quite recently.
A. *Mr. Patel.*—Last year, I think.

Q. That is recent enough, any way.
A. *Mr. Kasturbhai Lalbhai.*—Another factor that has got to be noticed is that during the last two or three years there had been no imports of American cotton into India worth speaking of. This year, that is during the last two or three months, orders from Bombay and other centres have been placed for American cotton to the extent of 200,000 bales.

Q. What does that prove ?
A. That proves that the exchange has enabled the American cotton to be imported by the millowner here at a cheaper rate than the local cotton. Naturally this is bound to hit the agriculturist because the American imports being there he is losing the demand from the local manufacturers to the extent of the imports from America.

Q. Does it not show that the Indian agriculturist is getting more for his cotton than he should with reference to the American parity ?
A. Certainly not.

Q. If it is cheaper to buy American cotton, does that not mean that the price of Indian cotton is too high and therefore the cultivator here is benefited to that extent ?

A. Most assuredly not, because he is not marketing his crop just at present. He will begin to do so in December or January and the prices that will be realised then for the cotton may be said to affect the agriculturist. But at present all the stocks that are being held are in the hands of the merchant and the losses or profits will affect the merchant and not the cultivator. The cultivator is bound to be affected on account of the imports.

Q. When you talk of the 200,000 bales of American cotton, you are only referring to the possible imports. Are you not ?
A. Certainly not. I am a Member of the Central Cotton Committee and we are getting all the information.

Q. Are you not referring to the possible imports ? These 200,000 bales have not yet arrived. They have presumably been ordered ; but it does not follow that they will come, does it ? Is it not possible that this is due to the fact that the Bombay Millowners are wisely hedging against a possible further change in the price of cotton ?

A. When I am talking of the 200,000 bales, I am not taking into consideration the hedging contracts at all. What information we are getting in the Central Cotton Committee is from the members who are representing importing Houses and they send out information week by week in order that their fumigation problem may be dealt with and the information given out by them is that the imports which would come out in the next two months will amount to 100,000 bales. The problem before the Committee was whether the Committee or the Government of India would be able to handle those large imports, because the present capacity of fumigation is only 700 bales per day and it was felt that if the imports were to come with such a rush as it was anticipated then it might be impossible for the fumigation authorities to fumigate the cotton in time and deliver it to the importers. Therefore this was the problem before the Committee and I have placed this information which has come to my knowledge as a member of the Committee.

Q. Your information is that 100,000 bales have actually been ordered ?
A. Yes.

Q. And will be arriving in the course of the next few months ?
A. Yes. Most of their shipments are November and December shipments.

Q. Do you consider it altogether a matter for regret that this American cotton should be coming ? One of the arguments which you brought forward before us at Ahmedabad when we were last there was that India can manufacture cloth of any counts up to 40s or 50s counts with imported cotton and therefore if you can get this American cotton, is that a matter of regret ?

A. It is a matter of very great regret, because we do not want to import American cotton at the expense of the Indian cultivator. As it is done at present, it is at the expense of the Indian cultivator. If the exchange had been at 1*s.* 4*d.* these imports would not have been made. If we desired to spin finer counts we could have done that by importation of American cotton. We do not desire that it should hit the Indian cultivator or the Indian cotton grower. We want to stand on our own legs. We can spin finer counts by importing long staple cotton from outside the country if we cannot produce it in our country. But as I said, the Sukkur barrage is under development and very probably within a short time we may not need any American cotton to be imported.

Q. That seems to be a slightly different position from the one which you had previously taken, Mr. Kasturbhai.

A. I do not see how it is.

Q. Failing the Sukkur barrage—which at any rate is a matter for the future—if you import American cotton to spin finer counts, it must be, it seems to me, at the expense of the Indian cultivator. Every bale of American cotton that you import, if you go on to finer counts, will displace a bale of Indian cotton that you would have used if you go on spinning coarser counts.

A. Not at all. As I said, our greatest regret is that we are obliged to import to the tune of 60 crores of rupees worth of piecegoods. I want to stop all that and manufacture it in India. We desire that our industry should expand to that extent so that we may be able to supply all our requirements. If our industry were to expand, than naturally we will not be displacing the Indian cultivator to any extent. But on the other hand we may be assisting him by purchasing any longer staple cotton that he may grow. This does not depend only on the Sukkur barrage; but the experiments that are being carried on and the efforts made by the Central Cotton Committee are bound to result in better cotton being grown in India in the near future.

Q. In other words you want to make India entirely a self-sufficient country?

A. Certainly. We, the Ahmedabad Millowners, do desire that India should be able to supply all her requirements as far as piecegoods are concerned.

Q. All the Millowners?

A. Yes, as far as Ahmedabad is concerned. I do not know about Bombay.

Q. I have no doubt that all the Millowners in India would welcome the ideal that India should supply all her piecegoods.

A. There should be no curiosity about that, because India for many years used to supply not only her requirements but also used to export large quantities. It is a historical fact and why it should be taken as a thing that can hardly be achieved, I fail to understand.

A. *Mr. Chamanlal Parekh.*—This American cotton which is imported is not for spinning finer counts. They are going as far as 30s warp. There are certain millowners that have ordered the cotton for spinning the present quality, because the Indian cotton being scarce is very high at present. Now when they knew that we are getting American cotton the spot cotton has dropped. It has dropped by at least Rs. 70 per candy within the last six weeks and there is a great effect on the price of cloth. When the local merchants knew that the price of spot cotton was higher, they were buying a certain quantity of cloth at the ruling prices. But when they knew that the spot cotton has dropped because of the American cotton coming in on account of the exchange, they did not buy further.

Q. You say American cotton is cheaper owing to the exchange. Would it not be cheaper any way?

A. Exchange gives an advantage of 12½ per cent. If the exchange is 1s. 4*d.* we need not go to America to buy cotton. There will be a difference of about Rs. 40 a candy.

Q. I understood you to say that cotton here has dropped by Rs. 70 per candy.

A. Because it was higher here in comparison to the American cotton. The ready price was not ruling with the forward price. We had to pay very high and still we find some mills are using the local cotton for 20s and 22s at the high prices because the merchants know that they are not to get the new crop till March.

Q. What is the present parity between the American and the Indian cotton, at the moment?

A. You mean the forward price?

Q. Yes.

A. If you are to order the American cotton to-day, you will get it one or two months hence. So if we compare the prices with Broach there may be difference of Rs. 10 or Rs. 15 between the two. But if we are to compare with some of the Surat special sorts we have to pay for the ready stocks. The merchants are not willing to buy stocks because they know that the new crop will be coming at very low prices and no sooner the American cotton comes in they are afraid to hold the stocks and so they will be selling at cheaper rates. The effect of that is on the cloth. The cloth merchants are not buying at the present prices owing to the fact that the American cotton is coming in and is affecting the ready cotton and that, so far as I understand is due to exchange.

Raja Hari Kishan Kaul.—Mr. Kasturbhai Lalbhai, you said that 200,000 bales of cotton were ordered from America and that 100,000 bales are expected to arrive in the next two months. What about the other 100,000 bales?

A. It has been booked but for different shipments.

Q. It will come later ?
A. Yes.

President.—Will it definitely come or has it been ordered as a hedge ?

A. We have no information as to how much of it is type cotton and how much is hedging contract. So far as type cotton is concerned, it is bound to come because it is difficult to dispose of the type cotton and if one has purchased type cotton that will be for utilisation in one's own mill, according to one's own requirements.

Raja Hari Kishan Kaul.—You cannot tell about the other 100,000 bales ?

A. What I say is that that portion of it which is type cotton will come because it must have been purchased for special use. But that part of it which is for hedging purposes may or may not come.

Q. You do not know how much is type cotton and how much is hedge cotton ?
A. No.

Q. As regards supplying information, you have got certain mills which spin mainly fine counts ?
A. Yes. There are two or three mills in Ahmedabad which spin fine counts.

Q. And the other mills spin coarse and medium counts ?
A. Yes.

Q. Are there mills which confine themselves entirely to coarse counts ?
A. *Mr. Patel.*—You do not find any mills running entirely on coarse counts. Some spindles are run on coarser counts and some on medium counts.

Q. None entirely on coarse counts ?
A. None.

Q. And two or three mills which have been recently put up and which are going in for fine counts—are they spinning only fine counts and nothing else ?
A. *Mr. Kasturbhai Lalbhai.*—Medium and fine.

Q. Beginning from ?
A. From 20s up to 100s.

Mr. Subba Rao.—You said just now, Mr. Chamanlal Parekh, that because of the exchange it is cheaper to buy American cotton than spot cotton here. But is it not because the price of the spot cotton has not yet responded to the fall in the price of the American cotton ?
A. *Mr. Chamanlal Parekh.*—That is right. But if the exchange had been at 1*s.* 4*d.*, the American cotton would cost us more.

Q. I quite agree. At 1*s.* 6*d.*, home cotton must be cheaper. It is only in the transitory period of adjustment that you are having this relative cheapness of American cotton. The moment local cotton also approaches the parity by a further fall you have the same position as before.
A. *Mr. Kasturbhai Lalbhai.*—Parity at the exchange. How do you arrive at that parity ? You arrive at that parity by calculating the exchange at 1*s.* 6*d.* Indian cotton is not at parity with American cotton because the exchange has got to be calculated at 1*s.* 6*d.* But if the exchange is calculated at 1*s.* 4*d.*, Indian cotton is also kept at parity.

Q. I quite agree. Indian cotton must respond to a fall in the price of American cotton.
A. Yes.
Q. And just now it has not fallen sufficiently ?
A. No.

Q. We shall consider the effects of the fall on the farmer later on. But speaking of the buyer of American cotton he gets an advantage now, because the prices of the home cotton have not fallen sufficiently in response to the fall in American cotton.
A. Who gets the advantage ?

Q. Somebody has to get it ultimately. Somebody has got ultimately to produce it at a lower rupee cost though when he gets fewer rupees each rupee might be worth more. But that is ultimately. But just now this being a period of transition, the prices of Indian cotton have not fallen sufficiently to correspond with the fall in the price of the American cotton.
A. At the rate of 1*s.* 6*d.*

A. *Mr. Chamanlal Parekh.*—If you take into consideration the question of exchange if it is 1*s.* 6*d.* it costs us 5¼ annas and if it is 1*s.* 4*d.* it will cost us 6 annas and the Indian cotton will remain at the same level of price as at present and the American cotton will go high. So it will pay us to buy Indian cotton if the exchange is at 1*s.* 4*d.*

Q. Suppose exchange is at 1*s.* 6*d.* and the Indian cotton goes down correspondingly. Would you suffer as a millowner ?

A. *Mr. Kasturbhai Lalbhai.*—We are bound to suffer because we are more or less closely connected with the prosperity of India.

Q. But why do you associate agriculture as a whole with cotton growing ?

A. Because it is one of the main crops of India. There are only three or four main crops and the cotton crop tops the list.

Q. Is it in point of value or in point of area of cultivation ?

A. In point of value.

Q. The area is small and the total value relatively also is small.

A. *Mr. Chamanlal Parekh.*—The same thing applies to all agriculturists. If they get better price for their products then they will buy their cloth. But if they are getting low prices for their cotton and if they have no money then they do not buy so much.

Q. But every cultivator is not a cotton grower.

A. But if the cotton grower won't get, others won't get.

Q. Not necessarily. They might grow other things.

A. Everything depends on the prosperity of the agriculturists.

Q. That is a different point. We are just now speaking of the position of the cotton grower. Granted he suffers you cannot say necessarily that all cultivators, *i.e.*, your best customers suffer, because all cultivators do not grow cotton. I am not saying that the cotton grower will not suffer for a time. So far as the prices are not equal or the fall in the price is more than the fall in the cost of production, he will suffer. But you identify the cotton grower with the Indian farmer. I don't think the two are the same.

A. *Mr. Kasturbhai Lalbhai.*—To this extent we do identify them. Taking the exchange into consideration, it is not only the cotton grower who is going to be affected but also the grower of other products which are exported. Take, for instance, jute. Jute is being largely exported. The grower of jute is going to be hit by this exchange. Because the exchange is at 1*s.* 6*d.* we say that the Indian grower as such is going to be out of pocket to the extent of 12½ per cent.

Q. That raises the larger issue. You find that all the world over that agricultural prices are lower than the general level of prices. But just now I wanted to say that it is only in the transition period that the agriculturist suffers, because you find that the local spot cotton is not as cheap as the American cotton and when this is over, so far as you are concerned, you are not direct sufferers.

A. *Mr. Chamanlal Parekh.*—If the cotton prices are low here and the agriculturist won't get good prices, he will have no money to buy our cloth.

Q. So far as the cotton growers are your best customers—which of course, I dispute —it is true.

A. All the poorer classes of India are our customers.

Q. But all are not cotton growers.

A. In a way it hits them.

A. *Mr. Patel.*—May I know why America is very active to protect its agriculturists ?

Q. I am not saying that you should not protect your farming classes. I am merely trying to work out the problem which you have raised—what would be the logical result of the position you took up. Far be it from me to say that you *must* not protect your farming classes or any other classes. Only I wanted to examine the bearing of that point. Then about spinning fine counts, you said just now that it was possible to produce all the cloth required, which you now import in part, in our own mills because we can get in the coming years a better kind of cotton. But how many years will that be ? Have you any idea of the time when you could grow in the country long staple cotton ?

A. *Mr. Kasturbhai Lalbhai.*—It all depends on the progress of the Central Cotton Committee.

Q. Being a member, you can tell us what the rate of progress is.

A. It will be about ten years.

Q. Therefore for the next ten years, you say that the Indian mill industry should not attempt to produce finer counts if it means import of better kinds of cotton ?

A. No ; it should. But my point has been this : that it will take nearly ten years even if the industry is protected to-day for the finer counts to expand to that extent at which it can consume all the longer staple cotton that we grow.

Q. Quite so. And what is to happen in the interval ? Are you to attempt to produce finer counts by means of imported cotton or wait till your own local production is sufficiently large ?

A. We will have to attempt to spin them during the transition period,

Q. By means of imported cotton ?
A. Yes.

Q. You would be in favour of it ?
A. Yes.

Q. Then how would you meet that point that it will cut into the trade or the profits of the Indian farmer ?
A. It won't ; because my point is that as far as our present production is concerned, we are consuming a certain number of bales. Now if we want to go in for finer counts we will have to establish new mills, import new machinery and so the Indian cultivator is not going to be affected by an iota.

Q. You will produce these finer counts in lieu of the imports ?
A. Certainly.

Q. Thereby keeping the present demand for the coarse cotton constant ?
A. Yes.

Q. This is your idea. It is not a question of displacing the present mill production but supplementing it ?
A. Certainly. Technically it is not possible to spin finer counts from the same machinery by which you spin medium or coarse counts. For different grades of counts you have to import special machinery in order to get the best efficiency.

Q. Will you kindly make that clear ? You know just now your production is comparatively small in 30s to 40s. It is less than 20 million pounds a year, and you import as much more from abroad. Do you mean to say that if you want to spin more 30s to 40s counts you will have to import new machinery and you cannot turn it out on the present machinery ?

A. We can turn it out. But we cannot get that efficiency which we will get if we were to import new machinery.

Q. So you think that with the existing machinery it is not economical to produce more 30s to 40s.
A. It is not economical to the highest point of efficiency. It is no doubt economica but not to the highest extent.

Q. It can be done but you prefer to do it with better equipped machinery ?
A. Yes.

Q. How long do you think will it take for the adjustment to take place ? Supposing you wanted to increase your output, what would be the period of change ? You are now producing about 20 million pounds of 30s to 40s yarn and you are importing as much. Suppose you begin with the humble idea of producing all the imported yarn of these counts in the country itself. Do you think it would require a good deal of imported machinery?
A. Yes. It all depends on the machinery that is in existence. First we ought to know what is the present equipment of the different mills.

Q As a representative of the millowners could you not give us your opinion ?
A. It all depends on the equipment of the particular mill. But generally speaking, most of the mills are equipped for spinning 20s and 30s and if we want to do 30s and 40s we can do so from the same machinery by introducing certain changes. But if we want to get the very best efficiency for our 30s and 40s it would be preferable to import new machinery for the specific purpose of spinning 30s and 40s only rather than use the old machinery with some changes.

Q. Can you give us some idea ? Supposing you have to import all the machinery would it be a very long time before you get the new machinery to double your present output in 30s and 40s yarn ?
A. It all depends on the extent to which we get protection. If we can get a reasonable protection, it can be speeded up. If we get very little protection, it may take a longer time.

Q. I am not speaking of the inducement. But I am speaking of the amount of time that is taken to put up new machinery and produce yarn.
A. A year or a year and a half.

Q. It all depends on the spindleage you require ? How many spindles do you require, can you tell us ? It is a question of 20 million pounds of yarn.
A. It has got to be calculated.

Q. Do you call it a practical proposition to produce these finer counts by means of additional imported machinery and depending on imported cotton ? Would you say that you will make it a business proposition in the next few years ?

A. A very good business proposition as England or Japan has done.

President.—But how does that affect the prosperity of the present industry ? It might be a good proposition for mills to engage in this new branch of the industry but we are not concerned with that at the moment. We are concerned with the prosperity of the present industry. We are not concerned with people who want to set up new mills and to produce finer counts from imported machinery. How would the erection of those new mills alter the position of the present mills which are spinning coarser counts in which according to you, there is depression ?

A. We shall be able to stop the imports of medium and finer counts which we are at present getting from Japan and the United Kingdom and which are competing directly in certain cases and indirectly in other cases; because one thing is certain, that the new mills that will be started will be started by some of the mill agents who are working the mills at present; so that they will know best how to supplement their production and keep out foreign competition. If the foreign competition is kept out, then naturally the present depression will be lifted to a certain extent.

Mr. Subba Rao.—You were suggesting merely an advantage to production. I can understand your point if it is a question of displacing a certain part of the present production. You are speaking of the present depression. If you can turn out some of the present factories to the finer counts I can understand your reducing what may be considered a drug on the market and thereby making a profit. But your suggestion is that the present mills are not equipped to any large extent to spin 30s. to 40s. If that be so, the present depression continues with regard to the over supply of the coarser counts.

A. You mean the immediate present ?

Q. In the next two or three years.

President.—At the present time with which we as a Tariff Board are concerned.

A. Yes; it is bound to continue.

A. *Mr. Chamanlal Parekh.*—Unless the present machinery is converted for spinning finer counts.

Mr. Subba Rao.—But is that a practical proposition ?

A. *Mr. Kasturbhai Lalbhai.*—I do not think so.

Mr. Majmudar.—Up to what counts can you spin ?

A. *Mr. Chamanlal Parekh.*—We have to make several changes. We have to import bobbins from England and it will take at least 6 or 8 months. Then it will take some time to overhaul the machinery and put it up.

Q. Some of the Ahmedabad mills are spinning from African cotton ?

A. Yes.

Q. Have they changed their machinery or are they spinning on the old machinery ?

A. *Mr. Kasturbhai Lalbhai.*—They have not changed. But as I said they are not getting that efficiency which one would like to get. These changes can be made. There are three ways of working. One way is you can go on spinning 40s even on machinery equipped on 20s. But the yarn and the production will not give so much advantage. Whether it will be to an advantage or to a disadvantage it has to be worked out. Then the second way is to make alterations in the existing machinery, and the vest way is to import new machinery equipped for spinning the particular counts.

Mr. Subba Rao.—Is the second proposition a practicable one—the modification of machinery ?

A. Yes it is.

Q. You think it will succeed and will be economical enough for all practical purposes ?

A. Yes.

President.—How expensive is it ? Are you in a position to give any figures to show the cost of converting machinery which is spinning 25s to spin 35s ?

A. We will have to work it out.

A. *Mr. Chamanlal Parekh.*—I do not think it will give the same result as new machinery. In one mill, in the New Textile, I am spinning 42s warp. I am going as far as that. In the other mill with the same cotton we are not able to go beyond 34s and so it is not paying us comparatively. Unless we put new machinery and throw out the old machinery it will not give us the same competing efficiency as in England.

A. *Mr. Kasturbhai Lalbhai.*—In the case of 30s you do not require separate machinery.

A. *Mr. Chamanlal Parekh.*—But new machinery will give better results than the existing machinery.

A. *Mr. Kasturbhai Lalbhai.*—Do you want the figures for one mill ?

Mr. Subba Rao.—Take a typical mill of 40,000 spindles producing 25s yarn and suppose you want to make it spin 35s, what will be the increased cost ? That is what we want to know.

Mr. Majmudar.—How much production do you get in 42s warp ?

A. 2·5 ounces.

A. *Mr. Dixit.*—We get 2·75 ounces.

Q. That is for new machinery ?

A. No ; old machinery.

Mr. Subba Rao.—You remember we had a discussion about income tax returns and you offered to give us correct figures. You said those figures in your statement included a number of mills that went in for ginning and so on and they were not all cotton mills. Have you been able to get those figures now ? You remember, Mr. Patel, you said at a later stage that they did not include only cotton mills but included ginning mills and so on.

A. *Mr. Patel.*—The difficulty is that the income tax authorities will not give us figures.

Q. In a sense the figures now supplied to us bears out the general impression created by those figures. The net profit is 55 lakhs and deducting the loss of 5 lakhs it means that a large number of mills must have made some profit and a small number must have made a loss. There are 48 mills and it looks as though a large number of mills made profits in that year.

A. *Mr. Kasturbhai Lalbhai.*—We have given it in the statement. (Annexure A)

President.—Your figures are extremely interesting, Mr. Kasturbhai Lalbhai, as they seem, somewhat contrary to the Bombay Millowners' experience, to show that 1925 was a much better year for you than 1924 or 1923.

A. No, Sir ; it is not so. I will explain that. The number of mills that have been taken are not identically the same mills. The number 40 or 50 may be the same. But the mills are not identically the same mills every year.

Q. But they are near enough. If you have got 48 or 49 mills there may be a difference of one or two mills which does not affect the total result to any great extent either way.

A. *Mr. Patel.*—In 1923 10 mills went into liquidation. These mills have been omitted from our calculation for 1924-25 and the number has been made up by other mills that were started later on. In 1923 the percentage is less because we had to face a strike for 65 days. It affects the profits in 1923.

Q. The point is that 1925 was a better year for you than 1924 and, if I may say so your whole position is distinctly better than it is in Bombay, which of course is the impression we had already.

A. That is so on account of those new mills, I think.

Q. If the new mills are working at a profit, so much the better. That does not alter the impression. It only confirms it.

A. What about the 10 or 12 mills which are lost altogether ?

Q. Those were obviously a source of weakness to you and on your own showing they were paying dividends until they disappeared. You cannot argue anything from that except that they were badly managed.

A. That affects the compilation and features of statistics.

Q. But the point I am now endeavouring to bring about—a satisfactory point from the Ahmedabad outlook—is that you had definitely a profit in 1925 whereas Bombay had equally definitely a very heavy loss. Therefore to that extent you are better off than Bombay. The profit may not have been what you would have liked.

A. *Mr. Kasturbhai Lalbhai.*—As we were hard hit we tried our level best to bring up the profit to the highest point and it is shown in the results.

Q. I think you are much to be congratulated, Mr. Kasturbhai, and we hope to show you to Bombay as an example of what can be done in times of depression. But how was it that 1925 was a much better year than 1924 for you ?

A. *Mr. Patel.*—If you please refer to Statement 2, you will find the details.

Mr. Subba Rao.—Is it the calendar year ?

A. *Mr. Kasturbhai Lalbhai.*—In Ahmedabad most of the mills work from January to December.

Q. In Bombay there was a strike then. Is it due to that ? Is the prosperity due to the fact that one of your best competitors had a strike for over three months ?

A. We are not competing very keenly with Bombay. Ahmedabad is specialising in a particular kind of goods for which we have also been given epithets.

Mr. Majmudar.—Did you not tell us that you fixed the prices of yarn and cloth when there was a strike in Bombay ?

A. We did and we are thinking of doing it again if similar necessity arises. It does not necessarily mean that because of the strike we did it.

President.—I thought it was the strike that enabled you to fix prices and in ordinary circumstances you could not do it. You told us when we met you in Ahmedabad that owing to the strike in Bombay you were able to fix your prices and that in normal times you would not be able to do so. I am not criticising your action, but I am merely asking you now whether but for the strike you might not have been able to fix prices.

A. *Mr. Chamanlal Parekh.*—We did not fix the prices after the Bombay strike. Nature helped us in having the strike in Bombay. We fixed the prices before the strike. At present cotton is going down and if we are to fix the prices we will be losing heavily.

Q. I would like definitely to see what you did say, because it is a very important point and it is a point also under consideration by the Bombay Millowners whether you can fix prices and maintain them. It is an important point.

Mr. Majmudar.—You say "We felt the depression. We thought we could not go on like that and therefore we had to close down or do something in the matter."

A. *Mr. Patel.*—So the Bombay strike came after the fixing of the prices.

Q. No.

President.—In your answer you say "It may be that the depression has not been felt so severely as it was felt last year—last year at this time." Raja Hari Kishan Kaul's question was "You could do so only when the Bombay mills were closed or would you also do so when the Bombay mills are working", and your answer was 'It would not be desirable to do so when the Bombay mills were working.' So my statement of your views was, I think, an accurate one. As I said, I am not in any way criticising your policy. There is a good deal to be said in its favour. All I want to examine you on is the possible effects and, generally speaking, the feasibility of this action, because it is obviously a very important matter if you can fix prices in normal circumstances when the Bombay mills are working and it seems to show a strength of organisation which is a little unusual in our experience of the industry so far.

A. *Mr. Kasturbhai Lalbhai.*—It would not be possible unless several factors combine to help us as they did last time. We have been recently considering the point. But the prices of cotton dropping every day would undo our action because, however much we may try to stabilise our prices, the merchants would not have any confidence in those prices and we may be simply ousted out of the market if we decided on it.

Q. One further point that I wanted to ask you about is a statement in the press with reference to the depression in Ahmedabad in which the local correspondent of the "Times of India" has said that the Bombay people were cutting into your market in longcloth.

A. At present I am not making any longcloth in my mills ; so I do not know anything about it Mr. Dixit may perhaps tell you.

Q. This is the reference : 'The Bombay mill agents seem to have determined not to increase the existing stocks any more. For the last four months they are selling goods at almost any price as soon as they are manufactured, with the result that they have captured the up-country markets in longcloth. Although the local mills are quoting from 13 to 12 annas per pound for longcloth, they have not been able to effect any sales. In consequence some mills have ceased to manufacture longcloth.' I want to know how far that represents the actual state of affairs.

A. Mr. Dixit.—The information is quite correct that the Bombay millowners are selling at any prices which is offered to them.

Q. Only in longcloth ?

A. Most of the markets depend on longcloth for fixing the prices. All the prices are being fixed according to longcloth mainly. That is the system observed in Bombay.

Q. So the position is that the weak Bombay mills owing to these forced sales are dragging you down ?

A. We have got to follow the same policy and the result is that the merchants have become so diffident that they are afraid of buying any longer. They do not buy at all except for their immediate requirements.

Q. Then we get back to the old position which is lack of confidence in a falling market. Do you or do you not consider that this heavy American crop may possibly

be a blessing in disguise as it may get you to the bottom of your market much more quickly and therefore possibly much more cheaply from your point of view than a long drawn out agony ?

A. *Mr. Chamanlal Parekh.*—We have heavy stocks at high rates.

Q. We have no figures of your stocks.
A. We have three months' production.

Q. We cannot accept that figure without any sort of verification. I would suggest that you should try to follow the Bombay Millowners' Association to some extent for the benefit of any future Tariff Board which may sit on this question.

A. *Mr. Dixit.*—We cannot say when the market will take a different turn altogether.

Q. No. It will not be long delayed at any rate, I hope. I think you must get to the bottom some time. Meanwhile we have rather wandered from where we started the discussion which was why it was that you had a better year in 1925 than in 1924, contrary to the experience of Bombay and other parts of India. You attribute it mainly to the fact that you put your shoulders to the wheel ?

A. *Mr. Kasturbhai Lalbhai.*—I think so.

Mr. Subba Rao.—One finds that your own funds are practically in excess of the block account. The owned funds of the various mills consisting of the paid up capital are in excess of the block value, which is supposed to be a conservative position. I assume there is nothing like debenture or mortgage debt.

A. Mr. Chamanlal Parekh.—Yes, except in one mill.

Q. So whatever loans you may have are current loans ?
A. Yes.

Q. There is no mortgage loan ?
A. Yes.

President.—What do you mean by reserve deduction ? Do you mean that the reserves are diminished by that extent ?
A. Yes.

Mr. Subba Rao.—But the net profits do not include that deduction ?
A. No.

Mr. Majmudar.—What has been the fall in prices in the last six weeks in yarn and cloth per pound. ? Take 20s yarn for instance ? What is the drop in price consequent to the recent drop of about Rs. 70 a candy in cotton ?

A. *Mr. Chamanlal Parekh.*—Rs. 70 you consider for spot.

Q. What I say is the price of cotton has dropped only recently, that is during the last two or three weeks.
A. Yes.

Q. What is the drop in the price of yarn and cloth as compared with the drop in cotton ? Have the Ahmedabad mills reduced their price of yarn and cloth ?
A. They have.

Q. To what extent ?
A. Within these two months ?

A. Yes.
A. At least 1½ annas. Certain mills might have reduced more or less, but the average may be 1½ annas. I am talking of one month.
A. Mr. Amratlal.—If you take six weeks, it will be more.
A. Mr. Patel.—The present position is that it is difficult to sell goods even at reduced rates.
A. Mr. Chamanlal Parekh.—We are not able to sell the whole production, not even half of it. If we sell it is all right, but if we cannot sell it.....

Q. Japan has reduced the price ?
A. Mr. Kasturbhai Lalbhai.—I was told only this morning that the longcloth they were selling at Rs. 16 is marketed at Rs. 14-6-0.
A. Mr. Patel.—2/42s yarn has gone down from Re. 1-5-0 to Re. 1-2-0.

Q. So the drop in price in Indian has not been as much as in Japanese yarn ?
A. No.

Q. That may be one of the reasons why there is no movement in cloth or yarn ?
A. Mr. Chamanlal Parekh.—But nobody is offering. If one were to offer for a thousand bales we will go down 2 or 2½ annas. But simply reducing the rate will shake the confidence of the merchants.

Q. I am only trying to guess the cause of the short deliveries. It may be due to the fact that the fall in the price of Indian yarn and cloth is not what it is in comparison with the Japanese stuff.

Raja Hari Kishan Kaul.—If you do not reduce your prices people may go on buying Japanese yarn ?

A. We do. Supposing on one bale if we were to reduce, say, half an anna they do not buy to-day. They will come two or three days afterwards and expect a further reduction.

Q. Unless they know that you are prepared to sell cheaper than the Japanese why will they come for your goods ? They will go to the Japanese importer for the cheaper quality. You have to bring down your price ?

A. We have to bring it down and we are bringing it down.

Q. What I mean is that others may not come to know that you are prepared to sell cheaper than the Japanese prices ?

A. Mr. Amratlal.—They do know that we have ample stocks and if they want goods they can come with a lower offer and we do consider it very favourably.

Mr. Majmudar.—To what extent have the Bombay mills reduced their prices ?

A. Mr. Chamanlal Parekh.—Within four weeks they have reduced 1½ annas, but they reduced two months back a lot.

Q. It was stated that the Bombay mills are selling longcloth at a much lower price than the Ahmedabad mills and therefore they are capturing the markets. I want to know the difference in price between the Bombay cloth and the Ahmedabad cloth formerly and now. Can you give us an idea ? Is the reduction made by the Bombay mills much more than the reduction made by the Ahmedabad mills ?

A. It is not exactly like that. Bombay had recently reduced and Ahmedabad had reduced formerly. When Bombay was selling at Re. 1 we were selling at 14 annas, and now Bombay has reduced to 14 annas and merchants come and offer us 12 annas. They say that between Bombay and Ahmedabad there ought to be a difference of 2 annas. Ahmedabad mills cannot afford to sell by keeping the same difference. The difference must vary when the prices are higher and lower. Formerly there was a difference of three annas a pound between Bombay and Ahmedabad prices. That has been narrowed down and came to 2 annas. Now people say that when Bombay is selling at Re. 1-1-0 we were selling at 14 annas. Bombay reduced it to 14 annas and when we reduce by one anna to 13 annas, they want it to be reduced to 12 annas. That comes in the way. Practically longcloth of the Ahmedabad mills is not coming to Bombay. It goes to the United Provinces and the Punjab.

Q. Why do you consider the cotton cultivator to be your best customer ? Is it because the cotton crop pays the agriculturist most, or is it due to any other reason ?

A. The cotton cultivators are the best buyers because it pays them more to grow cotton. At the same time they are mixed cultivators. They are agriculturists for cotton as well as for grain. In certain parts of their land, if they have big lands, they sow cotton and in certain parts they sow grain. So if they are hit in cotton they are not altogether ruined. They are not altogether one sort of cultivators having only cotton.

Mr. Subba Rao.—You mean this is the money crop for them ?

A. Yes ; so, if they are hit in cotton they will have the other.

President.—As you know, Mr. Chamanlal, we have been round India since we met you last. We have been to Madras, Calcutta, Cawnpore, Delhi and Amritsar and we have been round the local markets in all those places to see what we could find, and we found that, speaking generally, you were in close touch with the markets and were endeavouring to supply them with what they wanted. But we had some complaints of the quality of the Ahmedabad goods in various places, especially in regard to yarn. From Madras specially there were complaints about short reeling, etc., and a statement was made that in Madras, which is a big centre of the handloom industry, they prefer Japanese yarn because they can depend on its length and its quality. In Cawnpore, the Ahmedabad goods were not considered as good as they might be. I do not know whether you wish to make any remarks on that ?

A. Yarn and cloth ?

Q. Yes, both ; cloth even more than yarn.

A. Mr. Kasturbhai Lalbhai.—I think everywhere the cloth that Ahmedabad is producing is the cheapest. So naturally you cannot expect any tribute to the quality of cloth if they want it cheap. If they want good cloth they can have it, but they can't have cheaper prices and good cloth.

A. Mr. Chamanlal Parekh.—Merchants are to be blamed more than the mills. They want a reduced quality at a lower price. Of course we look to the cost of production and say, all right. In short reeling too, it is not that the mills are manufacturing these

of their own choice. The merchants come and give an order that they want 28/40s and it is marked as 28/40s. It is not marked as 40s.

Q. You mark it as 28/40s ?

A. 28 counts baled in 40 knots.

Q. That is exactly what they told us, and I found it impossible to believe that merchants asked for 40s and you sold them 28s and they sold it as 40s.

A. We call it 28s and not 40s. It is the fault of the merchant. The difference in price is the same. We are selling at 28s price.

Q. But the unsuspecting purchaser who gets 28s as 40s does not know that you are getting the price only for 28s. He thinks he has got his 40s and when he uses it he finds out that he has not.

Mr. Majmudar.—You are stamping 28/40s ?

A. Yes.

Q. I suggested that to Mr. Amalsad, but he did not agree.

A. If a merchant comes and asks, in these depressed conditions we have to clear our stock. We have no other alternative. We have to dispose of the stock.

President.—It is a damaging admission if I may say so.

A. I do agree, but we cannot help it. But there are hardly one or two spinning mills in Ahmedabad which do it now.

Q. Why don't you get together and stop it. These practices do not tend to the stability of the industry and certainly it is difficult to recommend any assistance to an industry which does this sort of thing. Is not the Millowners' Association strong enough to stop it ?

A. *Mr. Patel.*—But we have only one or two spinning mills, and this system is not practised by most of the mills.

Q. Mr. Chamanlal has just said that it has been done by many of the mills.

A. *Mr. Chamanlal Parekh.*—Not by many.

A. *Mr. Patel.*—Only three or four mills are spinning mills which sell yarn in hanks. The rest are all weaving and spinning mills. Even in spinning mills, for the last two years they have been supplying yarn to the weaving sheds to a very great extent. So very little is being bundled and baled and sold in outside districts as compared with two or three years before.

Q. Is it your point that very little yarn is sold from Ahmedabad in this manner ?

A. *Mr. Kasturbhai Lalbhai.*—Very little yarn is sold in this manner, not to the extent of five per cent.

Q. It is quite sufficient; even 5 per cent. is quite sufficient to ruin a reputation.

A. We agree to that.

Mr. Majmudar.—Then Mr. Amalsad was complaining of 20s being actually 18½.....

A. *Mr. Amratlal.*—That is wrong. For supplying 20s we spin 20½.

President.—Generally speaking as regards your quality, you consider that it is merely a case of Ahmedabad supplying what is wanted ?

A. *Mr. Chamanlal Parekh.*—Yes, we think so.

Q. You are asked for cheap stuff and you supply it ?

A. *Mr. Kasturbhai Lalbhai.*—Yes.

Q. That leads to a further question. There is no doubt whatever that a certain amount of imitation goes on. What I mean is that we have discovered undoubtedly two forms of lowering the quality. It was represented to us at Amritsar that an Indian mill produces a number and a ticket one year, say 3868 Lotus. That is extremely good value for the price. There is a demand for that number and it is a profitable line. But the following year Lotus 3868 from the same mill is distinctly of lower quality than it was in the previous year.

A. That is absolutely incorrect. It was done in 1905 when there was a very big demand owing to the Swadeshi movement. Ahmedabad got a very bad name for it, and I dare say that even during the war years when we were making bumper profits nobody cared to do this sort of trick. It used to be done till 1905 or 1906. One particular number and ticket was made current in the market and within the next six months or after a year they used to change the quality by cutting down the reed and pick and supplying a different quality with the same label. But it has been absolutely stopped, if I may say so, ever since the year 1912—for the last 13 or 14 years.

President.—One witness who made that statement promised to give us samples. We have not yet got them. If we get them we shall send them to you to see what you think about them. The second method of reducing quality is somewhat different. It is this. A mill produces a number say 3868, which goes on the market and gets a very good reputation; then another mill produces another number 3808.....

A. That is being done.

Q. Cannot a body like your Associaton stop that sort of thing? That is what I want to know.

A. We have been coming to an agreement recently that no sooner does a mill adopts a special number, if that mill adopts that number previous to another mill printing it, any mill that comes after should stop it. We are coming to an arrangement.

Q. How far have you got with it?

A. I know this in the case of two groups. There was the case of the Calico Mill and the Rama Krishna Mill. There was a similar number or print by the Calico mill. Then it was found out that they were doing it after the Rama Krishna Mill, and the Calico immediately gave it up. Similarly there was another case and they have also agreed that if they print that number after another mill which started it then they are prepared to give it up.

Q. There is also a certain similarity of tickets, I believe, between different mills. It has been suggested that that could be got over by registering the tickets under the Patents Act, but that the cost of registration is rather heavy?

A. A large number of mills, I think almost all the mills have got a few tickets registered. But then the difficulty comes in from the merchants who are big buyers, who have got their tickets and who would get them printed on the goods of my mill as also of a mill in a neighbouring district which may be manufacturing the same quality. It is also being done in the case of the importers. You can hardly find out who have been the real manufacturers.

Q. That is a further point I was coming to. A further complaint that we had was that in many cases the mill's stuff was stamped purely with the name of the merchants, and it was impossible to ascertain where it came from to the detriment of the purchaser who knows naturally that some mills are better than others. I should like to know how that could be got round?

A. *Mr. Kasturbhai Lalbhai.*—I do not think it is at all possible. It will take out the middleman's profit and the middleman would cease to purchase. He may be able to earn some margin in the product of a particular mill and he always likes that the identity of the mill may be kept secret, and therefore that practice is being more widely adopted both in Bombay and Calcutta and everywhere.

Q. It is also adopted as a matter of course by importers of goods?

A. Yes.

Q. It is extremely difficult to see how it could be got over. You say that a certain number of tickets is registered under the Patents Act. What is the fee?

A. *Mr. Patel.*—In Calcutta I recently paid Rs. 40.

Q. For one ticket?

A. Yes.

Q. It is rather heavy. Have you got any tickets registered, Mr. Kasturbhai?

A. *Mr. Kasturbhai Lalbhai.*—Yes, but I have no personal knowledge.

A. *Mr. Ranchhodlal Amratlal.*—We get our tickets registered in the Sub-Registry court at Ahmedabad and it does not cost more than Rs. 10.

Q. Rs. 10?

A. Yes, we register it as priority.

Q. How does that help you?

A. In case anybody imitates the ticket we can prove our priority.

Q. I understand that some of these tickets are registered under the Patents Act. Did you register under the Patents Act, Mr. Patel?

A. *Mr. Patel.*—Yes.

Q. It cost you Rs. 40 and it cost Mr. Ranchhodlal Amratlal Rs. 10. What advantage do you get out of this Rs. 40 registration?

A. He has got priority in time. Nobody can imitate his ticket after the registration while I have my own ticket registered so that the ticket is solely in my interest and can always be used by me. Nobody can imitate it, nor can anybody use it.

Q. Yours protects you against imitation, his protects him against duplication, so to speak?

A. Yes.

Mr. Majmudar.—You do not follow the Bombay system ?
A. *Mr. Chamanlal Parekh.*—No.

Mr. Subba Rao.—Suppose there are 'Curicuta' and 'Cuti Cura'. Would the latter be an infringement of your right ?
A. *Mr. Patel.*—Yes.
A. *Mr. Ranchhodlal Amratlal.*—Surely it will be a colourable imitation.

President.—I do not suppose your registration protects you against a colourable imitation. I cannot see what advantage Mr. Patel has if yours protects you against a colourable imitation. I wish you would look it up. I will look it up too; but I shall be glad to have your views.

Mr. Majmudar.—The Bombay millowners keep a register of labels ?
A. *Mr. Patel.*—Yes.

Q. You do not keep any ?
A. No.

Q. Is it difficult for you to follow the Bombay practice ?
A. It is difficult to operate the system.

Q. In what way ? Do you know what the Bombay system is ?
A. They send the labels to the Association to be registered and kept there.

Q. And whenever any mill introduces new labels, copies are circulated to all the members of the Association and if any member of the Association has any objection to the said label being registered he puts in his objections. Is it not possible to start an all-India organisation to register labels so that all this trouble about imitation and using the same labels would disappear ?
A. It is not feasible with us in Ahmedabad.

Q. Why ?
A. Because, as Mr. Kasturbhai said sometimes we are selling goods on merchants' tickets.

President.—When you are selling on your own ticket ? That is what Mr. Majmudar refers to. We are not concerned with the merchants' tickets.
A. The system is not uniform. The same goods may be stamped with the merchants' ticket or with the mill's ticket.

Q. In that case the name of the mill does not appear ?
A. Yes.

Mr. Majmudar.—We are discussing the case where only the mills' labels appear. Is it not possible for you to register labels of the mills so that one mill may not put in a label which is a colourable imitation of the other mill's label.
A. We have not tried it.

Raja Hari Kishan Kaul.—If there was such a registration it would possibly prevent imitation ?
A. I think so. If it is an all-India organisation it would help us a great deal.

Q. Could you prevent it ?
A. Just as Mr. Majmudar said, if every new ticket prepared by a mill is circulated to all the mills and everybody is given an opportunity to protest if he has any objection to it the system would work well. If one loses the opportunity of protesting then one should have no opportunity of complaining in future.

Q. Supposing one imitates the ticket or the number in spite of protests ?
A. In that case the Association should be provided with a committee to settle such questions if they want to avoid litigation.

Q. You think some penalty should be provided ?
A. It depends on the nature of the co-operation that is received. If the penalty is very heavy you may perhaps get only a smaller number of people to co-operate.

Q. Is it possible to enforce a penalty ?
A. I think a penalty may be enforced to a certain extent, not a very heavy penalty. There should be an inducement for co-operation instead of for litigation.

Q. There are cases at present in which one mill has imitated the number or ticket of another mill in respect of some lines which were selling profitably, and when a mill thinks it can gain by imitating another mill's ticket or number it has a temptation and would be inclined to overlook any advice given by some central body. I want to know whether it is possible to provide a penalty which would be deterrent and prevent it. Or, do you mean that it is necessary to have legislation on that point ?
A. I think if there is a provision that a particular committee appointed by that body should arbitrate on a question of dispute we hope it will be accepted by both the parties.

Q. Do you want this provision to be backed by legislation or do you want it as one of the provisions in the articles of association of the central body ?

A. Yes, in the articles of the central body.

A. *Mr. Chamanlal Parekh.*—With regard to numbers what happens is this. We sell certain bales and ask the merchants what number they want. At the same time the mills do not know what is that number, whether it belongs to any other mills. The merchants come and say, 'we have purchased these 25 bales. Please print such and such a number.' After the bales have gone away the mill which had that original number complains to us and says that it is its number. Then we agree to stop it.

President.—Can you patent the number as well as the ticket ? You cannot patent the number, can you ?

A. *Mr. Patel.*—They can do it but there is some difficulty. You cannot do it to the extent to which you can register a label.

Mr. Subba Rao.—Do they patent English numbers in England ; for instance, 1703, 6000. I do not think they are imitated.

A. They do not do it.

Q. So, there must be some legislation ?

A. *Mr. Ranchhodlal Amratlal.*—I think the Trade Marks Act in England does not exist in India. If it existed we could have the protection.

Q. Now, with regard to the quality of the Ahmedabad goods, I have been struck by this kind of contrast. When we went round the mills in Ahmedabad I felt the quality was very high, specially the designs and patterns struck me as very advanced, but as you see there is this sinister reputation in the markets that the quality is very low. How do you explain this ?

A. *Mr. Kasturbhai Lalbhai.*—There are two kinds of goods manufactured in Ahmedabad. Up till recently we used to manufacture heavily sized goods. Three or four years ago we used to manufacture heavily sized goods. Being heavily sized, there used to be *cheeras* and *jalas* as we call them. Of course they used to sell at a cheap price and there was hardly one mill outside Ahmedabad which could compete with Ahmedabad. We had a special line.

Mr. Subba Rao.—In supplying cheap cloth ?

A. Yes. One would think how it was that we sold so cheaply. We used to size heavily and pass off as goods containing so much yarn.

Q. Is that not passing off China clay as cloth ?

A. That is not the case. But this cloth which Ahmedabad had been manufacturing for the last 20 or 25 years used to be sold very well in the districts of United Provinces, Behar and a portion of the Punjab where the climate was rather cold and those who used the cloth never used to wash it. Once it was put on it was never washed until it was torn. That is our information. I think it is correct because if they were to wash it the sizing will wash out and they will never purchase it again. This was the case until some three years back. Now we have been going on to bleached kinds and in those we are most up to date.

President.—How many mills are turning out those kinds ?

A. Out of 59 there are 40 or 45 mills which are turning out bleached kinds. Seven or eight years back there were hardly half a dozen mills who used to work on bleached kinds.

Mr. Subba Rao.—Is your market very large in the Punjab ?

A. We have got our markets as we have already stated.

Q. The Punjab takes the largest proportion of the bleached imports into India. There we were told that your cloth is so bad ; but if you are making the bleached goods and that part of India is buying bleached varieties, is it not in your interest to send samples of your improved patterns ?

A. We are doing that. Our bleached kinds are selling very well in the Punjab, the United Provinces and Madras.

President.—You have not entirely stopped the manufacture of the cloth you have referred to ?

A. No. We still manufacture it to a very large extent.

Mr. Subba Rao.—It has been suggested by some one that there is some difficulty about the delivery of goods. For example, you have made contracts at certain prices and later on the prices rise. It is suggested that the mills are not eager to made delivery. Is that true to any large measure ?

A. Not at all. The point is this. Ahmedabad never makes out such large contracts as in Bombay. As explained already in Ahmedabad, Bombay turns out the standard kinds and they are able to sell them in large quantities. In Ahmedabad we manufacture according to the requirements of the merchants and our forward sales generally are not

for more than a couple of months in the normal times. Naturally we can always meet the requirements of the merchants.

Q. I was speaking of the contracts. If in the meanwhile the prices rise it is suggested that there are difficulties about delivery it is just postponed and so on.

A. No, I do not think so.

A. *Mr. Patel.*—It is just the contrary with me. I have always delivered the contract to the best of the terms but the merchants never come to take delivery in spite of notices when the rates fall.

Mr. Majmudar.—What is the percentage of bleached goods to the total goods in Ahmedabad ?

A. *Mr. Kasturbhai Lalbhai.*—30 or 35 per cent.

Q. Would it be possible for you to give figures for the last four or five years from the monthly returns ?

A. Yes.

President.—In Bombay it appears to be four lakhs against thirteen crores of pounds and you say yours is 30 to 35 per cent. ?

A. Yes. Practically, at present almost all the mills are turning bleached goods. In my mill bleached goods come to 75 per cent.

Q. To whom do you send these figures ?

A. *Mr. Patel.*—To the Collector of Customs, Bombay.

Q. We have been given a general statement of the reduction in output owing to reduction in hours from 12 to 10. According to the Bombay Millowners it is 16½ for spinning and 10 to 12 for weaving. Can you give us some definite figures of one or two select mills, Mr. Kasturbhai Lalbhai, showing how much it was ?

A. *Mr. Kasturbhai Lalbhai.*—Yes.

A. *Mr. Patel.*—This is the statement which we have received from some mills. We submit the original.

(The statement was handed to the President.)

Q. Mr. Majmudar will take out the relevant facts and send it back to you. We want the data on which it is based. As you know, Mr. Chamanlal, one of the reasons why you asked for a further hearing was that you were rather anxious to make some comments on the evidence of some of the witnesses before us in Ahmedabad.

A. *Mr. Kasturbhai Lalbhai.*—We have got copies of the evidence so late that we were not able to prepare the statement that we wanted. We went on writing to the Board and telegraphing.

Q. You have copies of the relevant evidence, I think.

A. *Mr. Patel.*—We have already sent a statement.

Q. None of these particular statements you refer here are of any very material importance. As regards the statement of Mr. Findlay Shirras, we are working out the cost of production figures which you have sent us. You had a copy of Mr. Desai's written evidence. You have had that for some time, I think. I thought you were sufficiently aware of the general character of the statements made in Ahmedabad. Are you in a position to comment on them ?

A. *Mr. Chamanlal Parekh.*—Only with reference to the directors. The directors of most of the mills are well-to-do and experienced men. It is said that the directors' meetings are called once in a year.

Q. How often do you call meetings ?

A. Generally twice a year.

Q. If you have meetings only twice a year then how can they be said to decide questions of policy ?

A. *Mr. Kasturbhai Lalbhai.*—Questions of policy are with regard to the expansion of the mills or the curtailment of production or the increase of production. Otherwise generally the system being the Managing Agency system, the routine work is naturally handed over to the agents. There the question of policy does not arise. For instance, with regard to the purchase of cotton or the sale of piecegoods, the matter is left entirely to the agents. That we do not think comes under the purview of the directors. But such matters of policy as the expansion of mills, or the curtailment of production to an appreciable extent or an increase in production or an increment in wages are always considered and decided upon in consultation with the directors.

Q. If you propose to make an appreciable cut in wages does that mean that you summon a special meeting of the directors ?

A. Not necessarily, but we will consult the directors. In certain mills they may call for a meeting. But in others they may do it in consultation with the directors.

Most of Mr. Desai's statements were with reference to the few mills which had gone into liquidation and for which we had not a word to say. We are quite in agreement as regards remedial measures to be taken for such mills and if you look to his evidence you will find that most of his comments are directed against those concerns that have come to grief.

Q. I think he referred to 32 mills of different calibre ?

A. Not only that. But the reference to the 32 mills is ever since the starting of the mill industry in Ahmedabad. It covers a period of 30 or 40 years.

A. *Mr. Patel.*—I had a talk with him and he said it was for period of more than 30 years.

Q. You say " with reference to the statement that the mill chawls are being farmed out to Pathans and Banias, investigations reveal the fact that this statement is far from truth." I do not remember for the moment who made that statement.

A. Mr. Desai.

Q. Have you discovered any such cases ?

A. From our enquiries we do not find any mill chawls being farmed out to Pathans and Banias.

Q. One or two further questions in this connection. We went in a very great detail into the question of audit with you in Ahmedabad. We examined Mr. Shah, one of the auditors of the two firms of auditors who do most of the work in Ahmedabad—Messrs. Engineer & Co., and Mr. Shah. Mr. Shah told us that he audited about 20 to 25 mills of your mills.

A. *Mr. Parekh.*—He is a joint auditor too.

Q. With Messrs. Engineer & Co. ?

A. Yes.

Q. He informed us that his office consisted of two clerks and he also stated that the fees for audit in Ahmedabad were Rs. 150 to Rs. 200 a mill. Do you consider that that is a sufficient fee for the audit of a mill or that an audit carried out by such means is very satisfactory from the point of view of the shareholders ?

A. *Mr. Patel.*—Mr. Dixit pays Rs. 1,200 to the auditor of his mills.

Q. What do you pay, Mr. Parekh ?

A. *Mr. Chamanlal Parekh.*—Rupees 300 to 400.

A. *Mr. Kasturbhai Lalbhai.*—In my mills it ranges from Rs. 350 to 400.

A. *Mr. Chamanlal Parekh.*—It is generally Rs. 300 to 400 for each mill.

Mr. Majmudar.—Why do you want two auditors ?

A. Messrs. Engineer & Co., are in Bombay and Mr. Shah is in Ahmedabad.

President.—What is the object of a joint audit ?

A. Both of them combine and do the work.

Q. When you talk of a joint audit, what does it mean exactly ?

A. They arrange between themselves to examine certain vouchers each. One examines certain vouchers and the other the other set of vouchers.

Mr. Majmudar.—They exchange the work every year ?

A. Not like that.

Q. Supposing this year one auditor checks the stocks in spinning and another in weaving, next year they exchange. So that if there are any mistakes they can easily find them out ?

A. Yes.

President.—What is the advantage of having a joint audit ?

A. There is no advantage. We have got facilities to get either of them.

A. *Mr. Kasturbhai Lalbhai.*—There are some mills who have got two auditors.

Q. Why do you do that ?

A. *Mr. Ranchhodlal Amratlal.*—Thereby the shareholders think that no discrepancy would creep in.

Q. Is it an additional precaution ? Would'nt it be a good thing to have one good auditor and pay him a decent sum ?

A. We are paying him about Rs. 500.

Q. Mr. Shah tells us that he gets Rs. 150.

A. That may be for a small concern.

Q. That is the general average, he said.

A. He might be getting that for a small concern.

Raja Hari Kishan Kaul.—If two of them are getting Rs. 300 or 350, each will get only Rs. 150.

A. For example I am paying for a new mill which has just started Rs. 150, because he has simply to audit the books and nothing else. There are no stocks.

President.—His point about stocks was that the auditor had to accept the agent's certificate as to the quantity.

A. *Mr. Kasturbhai Lalbhai.*—It is being checked. If it was certified about cotton, piecegoods and stores, he will select to check either the cotton or the piecegoods or the stores—one of the three items.

A. *Mr. Patel.*—We have enquired during the luncheon interval from the Bombay Millowners' Association and they say they do not classify grey and bleached goods separately.

President.—You enquired from the Millowners' Association?

A. Yes.

Q. The figures are available for 1924 and 1925?

A. *Mr. Chamanlal Parekh.*—Since the abolition of the duty they have not got then.

Q. We have got the figures here up to 1925. We left off this morning on the question of audit. What Mr. Shah told us was that the Ahmedabad standard is much below the Bombay standard, that ordinarily in Bombay if the fee was Rs. 500 or Rs. 600 for a mill of the same size, in Ahmedabad he would get only Rs. 150 or Rs. 200, and in a few cases Rs. 250?

A. *Mr. Kasturbhai Lalbhai.*—He may be paid between Rs. 200 and Rs. 400—it may be Rs. 200, Rs. 250 or Rs. 300. Of course Rs. 150 might be from a small mill.—I do not know that.

Q. The point I was discussing this morning was if it was not rather a small fee considering the importance of the work. I do not wish to criticise Mr. Shah, but I cannot quite see—we have to deal with the facts before us—how he can audit all these concerns with the help of so few assistants. On his own showing, he audits about 54 concerns in a year by himself and with two assistants, which is the whole extent of his office. It does not seem to me to be likely that under the circumstances it is possible to make a very detailed audit.

A. As far as fees are concerned, I think we can submit a statement showing the fees paid in the Ahmedabad mills, and if Bombay mills also will submit a statement we can compare them.

Q. You would show exactly in that statement which mills have which auditors and what fees they get.

A. Fees in Ahmedabad are bound to be on the low side as compared to Bombay, because the office expenses and establishment charges in Bombay are bound to be much higher. Still we can find out how they compare when compared with the expenses of Bombay and Ahmedabad.

A. *Mr. Patel.*—I think Mr. Shah is doing income-tax work also. So he might be running the office for both the purposes. Perhaps it might be more economical.

Q. He has only got an office of two assistants. He has got only two people in his office.

A. His office is not doing this work only.

Q. That makes it worse. My point is whether he has got sufficient staff to conduct the audits of so many concerns in a way in which they should be conducted?

A. *Mr. Chamanlal Parekh.*—He finishes checking vouchers in one month, and so on.

Q. I understood none of the mills or very few of the mills have a running audit?

A. It is not a running audit. As the books are written he is checking them every month.

Q. Is not that checking of vouchers month by month a running audit?

A. No. He has to go through all the vouchers. If he has finished checking the vouchers and cash book ledgers in one month then he has so much less work.

Q. You mean he spreads the work out?

A. Yes.

Q. I am not quite clear about this question of quantities. He told us that there is no check of quantities in Ahmedabad. But is not that very necessary for a satisfactory audit?

A. *Mr. Kasturbhai Lalbhai.*—As far as my experience goes, I have dealt with two or three auditors, in every case they check audit. That is to say, they may take one or the other item which may have been certified by the agents and the auditors will see whether they tally with the figure given out in the agents' certificate.

Q. He said there was no check of quantities in Ahmedabad.
A. It may not be in each and every mill, but as far as my experience goes I do know that there are check-audits.

Q. Quantities are checked in the audit of your mill ?
A. *Mr. Chamanlal Parekh.*—When we are taking the stock we request them to come and check.
A. *Mr. Kasturbhai Lalbhai.*—He does not come and check each and every item.

Q. Surely he can count the number of bales ?
A. Quite so.

Q. What happens in your mill, Mr. Dixit ?
A. *Mr. Dixit.*—We have as a matter of fact got quarterly audits and we can count.

Q. They do not check quantities ?
A. No.

Q. Don't you consider that they should do it ?
A. We request them when we are taking stocks and tell them that they are welcome.....

Q. Why welcome ? Why not insist on it for the benefit of your shareholders ? At any rate I take it that most of you would agree that checking quantities is necessary ?
A. *Mr. Kasturbhai Lalbhai.*—We would welcome it.

Q. Then a further question arising out of this is the delay in publishing balance sheets. There again Mr. Shah says that the balance sheets in Ahmedabad were frequently published several months after the close of the year to which they related, in some cases fifteen months after.
A. *Mr. Chamanlal Parekh.*—They are generally published between June to August.

Q. I think he mentioned that on some occasions it was 15 months after the close of the year.
A. It cannot be so, Sir, because we have to call a general meeting once every calendar year.

A. *Mr. Patel.*—We cannot delay it beyond 15 months.

Q. I find that Mr. Shah says that the publication of the balance sheets varies from 6 to 9 months after the close of the year—June, July and August.....
A. Generally all the mills publish their balance sheets in July and August.

Q. Isn't it possible to hurry that up a bit ?
A. Many of the mills are selling upcountry and they do not get their accounts within three months or so.....

Mr. Majmudar.—Don't you get your accounts from upcountry every month ?
A. They do not send it at the end of the month.

Q. You can insist on their sending them next month ?
A. We insist, but they are rather slow.

Q. You allow the balance also to stand with them ?
A. Every day we get the sale forms.

Q. So, that, it will be easy for you to calculate how much has been sold ?
A. That we could not. We have to get other accounts, agents' commission and other charges.

Q. That would not take three months ?
A. They are not sending just at the close of the month. They may be sending it by the next month. Some mills may be getting into February.

Raja Hari Kishan Kaul.—One of the criticisms made in Ahmedabad was that with a view to earn more commission the agents go on increasing the size of the mill and borrow capital, with well known results. This criticism was made both by Mr. Desai and another witness. They said that the commission of the mill agents being on the total production they went on increasing production without capital with the result that the mills came to grief.
A. *Mr. Kasturbhai Lalbhai.*—But the responsibility of financing the concern is with the agent and he would not extend unless he were prepared to take that responsibility. In most of the cases the extensions have been made in order to run the concern more economically. If I were to cite my own case—the case of the Asoka mills for which my company is the managing agents—when I started the concern I had a capital debt of 21 lakhs. Inspite of that I made extensions in order to bring down overhead charges and

as a matter of fact I have been able to bring down the overhead charges by the extensions. Of course when I made these extensions the public or the shareholders levelled against me the charge that I was doing so in order to earn a higher commission, but that is not the state of affairs because as a matter of fact my mills had 6 units of production, if I may say so.

Q. Do you think that that action of yours resulted in reducing your previous debt ?

A. It is bound to result. As you know, in Ahmedabad the units of mills are very small, smaller than they should be. Naturally therefore extensions are being made even incurring capital debt in order that the overhead charges may be reduced.

Q. You think there is nothing in this criticism and that by doing so you better the position, *i.e.*, you strengthen the position of the mills ?

A. Quite so. If I wanted to earn more commission, I would rather start another mill than extend the old one. If extensions are undertaken, it is simply in order that the overhead charges may be brought down.

President.—This is the reason why we asked you for the figures, Mr. Kasturbhai. We want to know how far that charge is well-founded. That is why we wanted figures for spindles and looms from 1914, to see whether the Ahmedabad industry has expanded to any very great extent.

A. That we have promised to submit.

Q. I am explaining why we are asking for it.

A. But there may be some new mills started after 1914. That will not give a correct idea unless you get statements, mill by mill, as to what were the extensions and what was the position when the extensions were made.

Q. We can only work on general data ; but it would be useful if you would separate that out—if you could show spindles and looms for the old mills and new mills. It is easy in Bombay because no new mill has been started, only one at the outside since 1914. But it is not so in Ahmedabad.

Raja Hari Kishan Kaul.—The suggestion has been made that there should be a restriction on the borrowing powers of the agents. What are your views on that—that an industrial company should be prohibited from lending its borrowed funds?

A. I will cite another instance. One of the mills under my agency during the year 1920 had 27 thousand spindles and 400 looms and I had borrowed capital to the extent of nine lakhs of rupees then. Still I went on borrowing and made extensions in order that it may result in a more economical management. I placed orders for machinery and increased the mill and brought down the unit to 36 thousand spindles and 800 looms. Now, if a limitation had been put on the borrowing powers then it would not have been possible for me to carry out the extensions, and if I had not carried out the extensions then the overhead charges could not have been brought down.

Q. Do you think that an industrial company should be prohibited from lending its borrowed funds ?

A. That is the point I made.

Q. Lending its borrowed funds ?

A. Before I had the intention of extending, naturally those funds that I had, the borrowed funds that I had I had to lend out to others because I cannot get the funds immediately at a moment's notice, or even two months' notice. As has been explained the system of financing mills is by 12 months deposit and they do not give it up in a particular year or particular time. If you retain these deposits, then it is possible for you to utilise them whenever you want, but if you once give them over then you cannot get sufficient capital.

Q. Borrowed capital is lent out while it is being accumulated for the construction or extension that you have in view ?

A. *Mr. Chamanlal Parekh.*—Or even in working. Suppose we have no stock of cotton? We have to buy it in the season. If we have a surplus fund in the monsoon we give short term deposits to other mills or banks for three or four months and at the cotton time we will take it back and use it.

President.—That is the reason I suppose why in some of the balance sheets I have noticed on one side you have got large borrowings and on the other side you lent some of it on interest?

A. We store cotton in the season time, and when we sell our products in December and November we have got that capital in hand which we cannot keep idle and so we give it on short deposits to other concerns where that is required.

A. *Mr. Kasturbhai Lalbhai.*—If we were obliged to stop taking deposits or giving out the deposits that we have, then it will be difficult.

Raja Hari Kishan Kaul.—Does the change from one system of commission, the system of commission on production, to the system of commission on sales really result in a very large difference. Some instances have been quoted to us by witnesses in Ahmedabad.

A. It did during the boom years but it will not make any difference during the normal years.

Q. A witness has quoted a case of 1923, that in the case of the Purushotam mills the agents got Rs. 19,600 at the rate of 3 pies per pound while in the case of the Bharatkhand mills with the same number of spindles and looms it came to Rs. 92,000. In the case of the Commercial mills with an equal number of looms and spindles the commission amounted to Rs. 98,800.

A. *Mr. Kasturbhai Lalbhai.*—There should be something wrong with the Purushotam mill during that year; otherwise the commission would not be so different.

A. *Mr. Chamanlal Parekh.*—In the Purushotam mill the commission was Rs. 19,000 and in the case of the Bharatkhand having the same spindles and looms it was Rs. 98,000.

Q. In the Purushotam mills the commission is on produce, 3 pies per pound, while in the other two mills it is on sales. Does it really make so much difference?

A. *Mr. Kasturbhai Lalbhai.*—There must have been some breakdown in the Purushotam mills. There was a big breakdown we know in the Purushotam mill, and they had to bring down the whole building and erect the machinery. Therefore the commission may have been less. It may not be in the knowledge of the particular gentleman who gave evidence; but the difference could not be to this extent. The difference as far as we could reckon it comes to half or one per cent.

Q. If you are acquainted with any of these mills we can work out on the figures of one year and see whether the difference is great. For instance, in regard to Sarangpur mills he has compared the conditions of 1914 with the present conditions. In 1914 it was Rs. 31,000 and in 1922 it came to Rs. 1,20,000.

A. *Mr. Chamanlal Parekh.*—The mill doubled between 1914 and 1923. The mill is nearly doubled.

A. *Mr. Patel.*—It has increased its looms and spindles.

A. *Mr. Chamanlal Parekh.*—It is the only mill which has got Rs. 45 lakhs cash as reserve and other funds I believe.

President.—The real comparison would be between the figures for the same year under the two systems.

A. He must compare the balance sheet of the very year by taking commission on produce and by taking the commission on sales. In those boom years certainly some mills increased the commission from 3 pies per pound on production to 3½ per cent.

Raja Hari Kishan Kaul.—Does it now mean such a large difference?

A. *Mr. Kasturbhai Lalbhai.*—The difference would not be more than half per cent. to one per cent. at the very most.

Q. That is what you suggest.....

A. We can submit figures. I can give you the figures of my own mill, that according to the poundage the commission would have been this and according to the percentage the commission would be such an amount.

A. *Mr. Chamanlal Parekh.*—Of course in boom years the agents made very good commission.

Q. You think at the present time it does not make anything like the difference which is brought out here?

A. No.

President.—Whilst we are on that question there is one point I wanted to clear up in your last evidence, Mr. Chamanlal. You said that when the change was made, when the mills went over from poundage to the commission on sales several mills agreed to give 12 to 15 per cent. on share capital. How could they do that unless at the same time there were profits?

A. If there is profit; otherwise they leave a certain percentage of the commission. They have to leave one-third or one-half. I do not know exactly, but they have to leave off at least one-third to make up the dividend.

Q. The position is that where that change was made they agreed that there should be a minimum dividend of 12 per cent. before they got any commission ?

A. Exactly. In former years, every mill in Ahmedabad had a clause that unless they paid 6 per cent. dividend they had to leave off one-third of the commission. When the change was made, instead of 6 per cent., they went up to 15 and even to 20.

Raja Hari Kishan Kaul.—We find that an auditor at Ahmedabad is related to some of the mill agents. You do not consider that desirable ?

A. Of course not.

Mr. Subba Rao.—You were asked a question about the agents borrowing money and extending the works. I suppose, whatever has been done in the past, now the actual extensions are covered by your own funds ? There is no burden of debt on the block account ?

A. *Mr. Kasturbhai Lalbhai.*—No.

Q. Taking these figures, even supposing you borrowed in the past, you should have been able to accumulate and thereby equalise your own capital with the block account. I am speaking generally. Taking 48 mills together, your block is 10 crores and 10 lakhs and your owned fund is 10 crores and 50 lakhs. How many mills are even now burdened with a debt account ? Would they be a large proportion ? Some might have held reserves and others might not have any.

A. It is difficult to say off-hand and then not to be able to bear out the statement.

Q. I just want to know whether you can give a general impression.

A. *Mr. Patel.*—There is a difference of 40 lakhs. If you look to the figures you will find the reserves as 365 lakhs and the paid up capital as 325 lakhs.

Q. If you look at the next page there is also the depreciation fund, part of your owned funds as against the block account at the original value, paid up capital, reserve and depreciation funds ought to balance the original value of the block account. Depreciation must come on one side or the other. You cannot leave it off completely. This is the original value of the block, 1,030 lakhs, and your funds on page 1 do not include the depreciation fund. Either you may compare your actual block account....

A. Yes.

Q. That is the general position. That is very satisfactory. But you cannot say anything about the proportion of the exceptions ?

A. *Mr. Kasturbhai Lalbhai.*—It will be very difficult to say.

Q. We would like to know that.

A. We will work it out and let you know.

Q. There are two statements made by witnesses about the employment of relatives on high salaries and about agents putting people as proxies to work for them. Of course one could see that there are large exaggerations, but is there any element of truth in it ?

A. None whatsoever. In my own mill....

Q. Your mill might be an exception, but generally speaking, in Ahmedabad is there anything that happens which lends colour to the charge that relations are employed on fancy salaries ?

A. There are not more than half a dozen mills at the most which are paying a salary to outsiders of over a thousand rupees. There may be half a dozen mills in which relatives may have been employed and may be drawing salaries ranging from Rs. 150 to Rs. 300 and Rs. 350. I do not know whether that is the case....

A. *Mr. Chamanlal Parekh.*—Even that some of the agents are paying out of their own funds.

A. *Mr. Kasturbhai Lalbhai.*—The public do not know whether it is being paid from the agent's commission. In the case of the Calico Mills, Mr. Ambalal Sarabhai has got a Secretary who is paid Rs. 1,200 or Rs. 1,500. He bears that out of his commission.

Mr. Majmudar.—To whom do you lend the money lying in excess with you ?

A. To banks and mills, and also in Government securities.

President.—To shroffs ?

A. We have got generally a running account with them.

Mr. Majmudar.—Do these shroffs publish annual balance sheets ?

A. They are lent on the Agents' enquiry. If the agents are satisfied that there would be no harm they lend.

Q. It is not possible for the Directors to know the financial position of the bankers or shroffs ?

A. It is being placed before the Directors that so much funds are lying with banks and so on.

Q Do they know about the financial position of the firms with which the money is deposited ?

A. Ahmedabad is not a Presidency town that you cannot come to know of it. Every one knows the position of the other and directors are generally well versed with the parties the mill is dealing with.

President.—One question about insurance, Mr. Chamanlal. We have got a little information on certain points since we met you last. We have been told by the Fire Insurance Association that the rates for mills upcountry and in Bombay are exactly the same if they have sprinkler installations.

A. They are collecting from Ahmedabad mills alone Rs. 60,000 for keeping their staff. One-eight of the premium they are collecting for keeping a staff in Ahmedabad.

Q. What they said was that in regard to mills equipped with improved sprinkler installation the charge for fire insurance covered is the same irrespective of the situation except that certain minor costs are recovered from the mofussil mills. We have asked them what the minor costs are.

A. They are collecting from the Ahmedabad mills alone Rs. 60,000. They have doubled it.

Q. What is that for ?

A. For posting their inspectors to look after the fire appliances in the Ahmedabad mills. It may not cost them more than Rs. 8,000 or Rs. 10,000 at the very most. They raised it up some years back. They were collecting in the past years one-eighth of the premium because of the sprinkler installation. Then they raised it to one-fourth and their saving amounted to a lakh and twenty thousand rupees. We fought it out with them. We said it was ridiculous to raise the charge and they again reinstated the original charge which brings them an income of Rs. 60,000.

Q. I notice from Mr. Chamanlal's speech at your annual meeting that there is one small point in which you have made an improvement since we saw you last and that is in regard to the terminal tax on the mills which have sidings.

A. That is the four annas terminal charge. The Municipal tax is there. The railway was charging six annas. The Traffic Manager told me that he was charging for keeping the roads and platforms and everything in order. But they were charging even where we had nothing to do with the railway sidings. So he agreed with my view and he reduced the charge two annas for the other mills. From six annas it was reduced to four annas.

Q. How many mills have sidings?

A. I think we gave out the number as 10. It will be 10 or 12. But we should very much like you, Sir, to recommend that sidings may be given to all on the basis of the Coal Commission Report.

Q. You have also Municipal terminal taxes on mills.

A. Yes, that we have to pay.

Q. You say where there are sidings they still charge terminal tax which should not be done. What tax were you referring to there ?

A. *Mr. Patel.*—Four annas Municipal tax.

Q. I do not quite see why there should be any distinction as far as the Municipality is concerned whether the mill has a siding or not.

A. *Mr. Chamanlal Parekh.*—Those mills which have got sidings are not using the roads. We are not taking any advantage.

A. *Mr. Patel.*—Till 1915 we had Octroi duty and there was no terminal tax. Octroi was levied for goods entering the city walls but for goods that were sent from the station outside the city walls there was nothing like octroi duty. So machinery and all other articles were free of charge. When the Municipality changed the schedule from octroi to terminal tax, it is recovered on the Railway Station and we have to pay this tax on every article we are consuming.

Q. Even if the mill is outside the Municipal limits ?

A. Yes. As the wagon is received on the railway the tax is to be paid.

Q. But surely it seems to me that if you were to take up the case legally you might be able to improve matters. I can understand the Municipality levying a tax on goods which actually enter the Municipality. But if a mill is outside the Municipal limits and has got its own sidings then I cannot quite see how the terminal tax can be levied.

A. *Mr. Patel.*—There is a city wall round about Ahmedabad and the Municipality extends far beyond the city walls and all our mills are practically situated in the municipal limits but beyond the city walls. They were free from any such tax so long as the octroi

duty was in force but after 1915 they are charged terminal tax at the railway station.

Q. I see. Then I do not quite see how you are going to get over it.

A. *Mr. Chamanlal Parekh.*—Any goods entering the Ahmedabad Municipality have to pay the tax. There is no mill outside the Municipal limits having a siding.

Q. We have had some subsidiary applications for protection, and also for the abolition of protection. I do not think there is any necessity for us to discuss with you again the question of the remission of the 5 per cent. duty on counts of yarn above 40s. But we have had an application from a hosiery mill in Ahmedabad for a 100 per cent. additional protection. Do you care to express any views on that ?

A. *Mr. Kasturbhai Lalbhai.*—I think, Sir, that industry ought to be protected. As they represent the imports are mostly from Japan. The hosiery industry is such that if some protection were given not only will that mill be producing hosiery but there may be other cotton spinning and weaving mills which may take up hosiery as a side line.

Q. The point is why have they not done it ?

A. Because it has not been a paying proposition up till now.

Q. Has any mill tried to make it a paying proposition. The applicant has only got one small mill, which as a matter of fact on his own showing is making such profits as it is making out of hosiery. Do you consider that the protection of a few small mills is sufficient to justify a 100 per cent. or any increased protection for hosiery than is given to it as a branch of the textile industry ? My point is, there appears to be nothing specially technical about hosiery. It can hardly be said that a knitting machinery is more technical than some of your looms.

A. It is. As far as my knowledge goes hosiery is a special line.

Q. It may be a special line but is there anything sufficiently technical in it to deserve special protection ? Can you say it is more difficult to work a knitting machine than it is to work some of your looms on finer counts ?

A. I have not got any personal experience and so I cannot say.

A. *Mr. Patel.*—Some mills may be taking it as a subsidiary line.

Q. The point we are trying to get at is what differentiates hosiery from any other line of yours ?

A. *Mr. Dixit.*—I think the Assur Veerjee Mills in Bombay tried it as a side line but it failed on account of the Japanese competition.

Q. There is no reason why it should more than any other line ?

A. Unless some protection is given other people will not try.

Q. The only reason for giving protection to hosiery would be the infant industry argument. But under the canons laid down by the Fiscal Commission it must show that a beginning has been made ?

A. *Mr. Kasturbhai Lalbhai.*—In Calcutta there are several hosiery factories. They are not of course side lines of mills.

Q. We know very little about them.

A. No representation has been made on behalf of the Calcutta people ?

Q. It is just coming in. The Hosiery Association has informed us by telegram that they are sending a representation. But it has not yet arrived.

Raja Hari Kishan Kaul.—In your speech, Mr. Chamanlal, you said that preferential railway rates were given in America and some other countries to goods manufactured in the country. Can you tell us which country, and what preferential rates ? Can you give us any information on the subject ?

A. *Mr. Ranchhodlal Amratlal.*—I can say that special rates are given for all goods sent from California and New York and some other places.

A. *Mr. Chamanlal Parekh.*—It may be for textile industry or other industries.

Q. I should like to know that.

A. We have taken the particulars from others.

Q. Can you try and secure them ?

A. Yes.

President.—One or two points arising out of this statement, Mr. Chamanlal. I notice that in 1923 you paid away most of your profits in dividends although the period of depression was beginning. You will see that your net profits were Rs. 35,24,000, and the dividend was Rs. 34,77,000. Was that not rather a high figure ?

A. We did not think that times were going to be bad. Several mills had big reserves.

Q. In the absence of detailed balance sheets it is rather hard for us to draw inferences from the statement except about the general soundness of the Ahmedabad mills.

A. *Mr. Patel.*—Details of every mill are contained in it.

Q. Another point that strikes one is this. Speaking generally, you seem to have made somewhat liberal allowances for depreciation.

Mr. Subba Rao.—One crore has been added in the course of one year, between 1921 and 1922, to the depreciation fund.

A. *Mr. Chamanlal Parekh.*—Because in the last year depreciation was not taken. There was much to be made up in the depreciation fund, and as the mills made good profits they took it off.

Q. I do not think you can take it from the second statement because they do not cover the same mills.

President.—In 1921, 1922, 1924 and 1925 the depreciation seems to have been as much as it should have been, allowing for 2½—the usual percentage—on buildings and 5 per cent on machinery.

A. *Mr. Chamanlal Parekh.*—But as we had not taken full depreciation in the previous year, when we made profits, they were set aside and taken to depreciation.

Q. Except in 1923 you seem to have made full provision. In 1923 you did not make quite as full allowance for depreciation as you might have done. Last year you made full provision for depreciation inspite of its being a bad year or a comparatively bad year ?

A. The same as 1924. There may be some increase. We have taken a lakh of rupees more.

A. *Mr. Kasturbhai Lalbhai.*—It is not the full depreciation. It only amounts to 3 per cent., while it ought to amount to something like.....

Q. I was going on the block account after depreciation. It should, of course, be on the original block account.

A. *Mr. Chamanlal Parekh.*—Generally we are going on the income-tax basis.

Q. As laid down in the Income-tax Act ?

A. Yes. 2½ per cent. on buildings and 5 per cent. on machinery and 7½ or 10 on electric machinery.

Q. You consider 5 per cent. depreciation on machinery sufficient ?

A. Yes.

Q. 20 years now-a-days in the life of a machinery in an industry might be considered rather a lengthy period. Might it not be an inducement to mills to scrap their machinery earlier and to keep themselves up to date if they were allowed 10 instead of 5 per cent. for depreciation ?

A. None of the mills will be able to set aside 10 per cent. on the block account.

Q. I did not say you could, but I wanted to know whether it would help the industry in any way if you were allowed 10 per cent. depreciation instead of 5 on machinery.

A. *Mr. Patel.*—That depends on the profits that are made.

Q. Of course it does.

A. *Mr. Kasturbhai Lalbhai.*—The point is this. If 10 per cent. is allowed for depreciation one has got to make profit to that extent, which has never been possible in the case of the industry. Profits are coming down. After allowing for depreciation of 5 per cent. in 1923 they had only 10 per cent.

Q. Look at 1921.

A. That was an abnormal year. From 1917 to 1922 they were abnormal years.

Q. 1923, 1924 and 1925 were normal years ?

A. In 1923 the return on the paid-up capital appears to have been higher because some profits may have been drawn out from the year 1922.

A. *Mr. Chamanlal Parekh.*—Some items have been taken from the reserves.

Q. You do not consider that would help you in any way ?

A. *Mr. Kasturbhai Lalbhai.*—No.

A. *Mr. Chamanlal Parekh.*—We are further allowed renewal charges over and above the 5 per cent.—for renewals or repairs of the present machinery. So we think 5 per cent. is quite sound.

Q. Speaking generally, have the mills throughout these five years been putting 2½ per cent. depreciation on land and buildings and 5 per cent. on machinery ?

A. *Mr. Kasturbhai Lalbhai.*—No, Sir. They have not been able to do it since the year 1923.

Q. In 1921 and 1922 full depreciation was allowed ?
A. Yes. In 1923 they had only written off 22 lakhs, while they ought to have written off 40 lakhs. Since the year 1923 the full depreciation has not been written down.

Q. It is rather difficult to say how much the full depreciation would be.
A. Over 40 lakhs. That is certain.

Q. I take it 39 lakhs would be about the figure.
A 39 lakhs is on the capital of 9 crores, and this is 10 crores odd.

Q. Then in some cases where your machinery is more than twenty years old you are getting no depreciation on that at all although it is shown in the block account at the original value ?
A. Yes.

Q. You have got to take that into consideration ?
A. *Mr. Chamanlal Parekh.*—In 1921 and 1922, they would not have taken that into consideration. We generally go on the profits. If we have more profits we set aside a certain amount more.

Raja Hari Kishan Kaul.—Out of the profits for 1924-25 why didn't you allow full depreciation ? You allowed 29 lakhs depreciation and you had 40 lakhs net profit.
A. *Mr. Kasturbhai Lalbhai.*—It depends on the individual mills—the circumstances under which they are placed.

Q. Is it possible that some of the mills do not provide any depreciation and others set apart full depreciation ?
A. It is bound to be so.

Q. Now in this statement, looking at the last three years, the position has improved. In 1923 your net profit after deducting the loss was 28 lakhs ; in 1924 it rose to 40 lakhs, and in 1925 it was 50 lakhs. It is unlike Bombay where there has been a gradual decline. Is it due to your largely manufacturing finer counts and bleached goods ?
A. No. The point has been made clear in the morning by Mr. Patel, that during the year 1923 there was a long-drawn out strike lasting for ten weeks. That not only took away a certain margin but also the overhead charges were to be borne by the mills. So the position might be taken to be one and the same during the last three years.

Q. In 1923 the profits were low, looking at the last page. The net result was 28 lakhs. In the next year there was an improvement. The net profits increased to 40 lakhs after deducting the loss of 9 lakhs. It is a considerable improvement over the previous year.
A. *Mr. Chamanlal Parekh.*—It was not an improvement. In 1923 we had to close down our mills.

Q. 1923 was a bad year.
A. Owing to the strike.

Q. Yes ; it was a bad year.
A. *Mr. Kasturbhai Lalbhai.*—You have got to compare the profits of 1923 only for 9½ months and not for 12 months, while the profit for 1924 was for a full year.

President.—Even if you take for 9½ months, 1924 was a better year than 1923.
A. Not only are they profits for 9½ months, but the overhead charges went to lower the profits, because even if the mills closed down it did not mean that the mills did not incur any charges. Whatever charges they incurred during those ten weeks went to reduce the profits and therefore the profits were less.

Raja Hari Kishan Kaul.—Any way there was no decline. Even allowing for the strike your profits were larger in 1923, and in 1924 they were still larger. The losses were less. The next year they were larger still. In any case against 1924 there was an improvement.
A. *Mr. Patel.*—That should be seen by taking the same number of mills and for the same number of years. All the 48 mills shown there are not the same identical mills. Some mills have been added in the later years. From the list you will find out the names of the mills.

Q. Shall we take it that in any case there is no decline ? The profits are 40 lakhs and 50 lakhs. From that you might conclude that there was no decline. I want to know whether there are any special reasons why there is an improvement. Is it the special advantage which you have in respect of the bleached cloth for which you have special facilities and also that you are taking special interest in finer counts ?
A. *Mr. Kasturbhai Lalbhai.*—My point is this. If you take the year 1923, the paid up capital *plus* the reserve *plus* the depreciation fund amount to 8·67 crores. On that 28 lakhs have been earned for 9¼ months. Now if you calculate it for 12 months the profit

will come to 35 or 40 lakhs. Now 40 lakhs is the profit earned in 1924 on a capital of 1,022 lakhs and not 860 lakhs. The fallacy lies in taking only the profits without due consideration of the capital. The capital in the year 1924 was 1,022 lakhs and in 1925 it was 1,050 lakhs. So on 1,050 lakhs it is 4·5; in 1924 it is 3·91, and in 1923 it is 3 and not 10 as typed there. It is a typing mistake.

Q. Any way comparing 1924 and 1925 there was an improvement from 3·9 to 4·8. You think the slight improvement in 1925 is due to the strike in Bombay of which you took advantage?

A. Not taking advantage.

A. *Mr. Chamanlal Parekh.*—Nature has given us the advantage.

A. *Mr. Kasturbhai Lalbhai.*—It is not an improvement worth any consideration.

Q. You don't think that you have fared somewhat better than Bombay because Bombay has declined in the last two years in a marked degree. You don't think that your slight advantage is due to these facts that I have mentioned—your going to finer counts and your large proportion of bleached goods?

A. No. In the year 1923, as you are fully aware, we made a cut in wages to the extent of 15½ per cent. But the Bombay wages remain the same still. Had we been called upon to pay the same wages we would have been much worse off than what is shown in the balance sheets.

Q. Bombay wages remained the same and you reduced them?

A. Yes.

Q. You think that the slight advantage you have over Bombay is due to the difference in wages?

A. Yes.

Q. Then it has been said that coarse counts pay better than fine counts. What is your experience?

A. It all depends on the seasons. In a particular time the finer counts proposition may be a better proposition than the coarse or medium counts proposition and another time the coarse or medium counts proposition may be a better proposition than the finer counts proposition.

Q. On the whole you are not prepared to pronounce an opinion in favour of either coarse or fine counts?

A. As far as Ahmedabad is concerned, generally speaking, we think that going to medium counts is a better policy.

A. *Mr. Chamanlal Parekh.*—20s warp and 30s weft generally. 90 per cent. of the mills are working on that.

Q. You consider that it is the most profitable business?

A. Yes.

Mr. Subba Rao.—With regard to reduction in wages it will be useful to know what has been the wages bill these three or four years. Could you supply us with that information? Your balance sheets do not show the wages bill. Could you tell us what has been the wages bill for all the mills before and after reduction, say from 1922 to 1925?

A. *Mr. Kasturbhai.*—I think we can give you the total wage bill for the last four years.

Q. Then I think at the last examination you offered to send us comparative figures of wages in the mill industry as well as in other occupations in Ahmedabad, so that we might know generally the level of wages. Could you not do that?

A. *Mr. Chamanlal Parekh.*—We told you in the morning that we could not get the figures in the match factory. They do not give us. That is the only industry in Ahmedabad.

A. *Mr. Kasturbhai Lalbhai.*—The figures for carpenters, blacksmiths and masons will not be of any use because they are absolutely on a different basis.

Q. Then we have to rely on the figures of the Labour Office.

A. Ordinarily a woman gets 9 to 10 annas and a mill labourer gets 11 to 12 annas.

President.—One thing which would be of help would be if you could give us the actual rates paid in 1914 per day for a full time man in each department and where you pay by piecework, the rate per lb. My point is this. You will find a statement made before the Currency Commission that the index figure of wages in Bombay had gone to 231 on the basis of the figures of 1914, whereas the wholesale, retail and cost of living index figures had gone up to 150, 150 and 153 respectively and the argument therefore was that the wages figures had gone up out of all proportion to the cost of living. When the wages

index figure was examined it was found that it was based on the reduction in hours from 12 to 10 which, of course, vitiates the comparison at once, because the reduction in hours had nothing to do with the cost of living. Therefore the wages index figure had really only gone up to about 200. What I want to get at, if we can, is the actual rates paid for a full day's work in 1914 and 1926. If you were paying 8 annas a day per spinner for a full day's work in 1914 and if you are paying 12 annas now, I should say that your wages index figure had gone up from 100 to 150.

A. Will it do if we were to submit for two or three mills the rates current in the year 1914 and in the year 1926 ? With regard to spinning they are basic wages. It is the daily wages. But in the case of weaving it is different. Whatever it is, you want it for one and the same mill ?

Q. Yes, for the same cloth.

Mr. Subba Rao.—We want the actual rates for the same kind of work.

President.—If you were doing 20s and 30s then, and if you give the rates for 20s and 30s now it will be a guide.

A. Yes ; we can give that. For three mills we will do it.

A. *Mr. Patel.*—As regards spinning rates, we have given them in printed reply.

Q. Our trouble over this standard muster is, it is an expression which requires an expert to understand exactly what it means. Take your wage bill for 1913. For the frame department it is Rs. 13-8-0. Your daily rate would presumably be 8 annas. Now it is Rs. 32 and so the daily rate will be roughly Rs. 1-4-0. So we may say that where you were paying annas 8 in 1913 you are now paying Rs. 1-4-0 and that will give us a guide.

A. This has been taken from the muster roll.

Mr Subba Rao.—They do not tally with the figures of Mr. Findlay Shirras. I asked you about that. The figures of Mr. Findlay Shirras show that your rates were much lower. So that does not help us very much.

President.—We are still unable to understand this wages question. We said that we would examine Mr. Shirras about it, but as a matter of fact we did not do so as I thought it would probably be better to examine Mr. Gennings on the subject as he has got all the records handy. In the course of the oral evidence, Mr. Parekh said that he could not explain why after the cut in 1923 the wages were lower than they were in 1921. According to the Labour Bureau the figures were slightly higher. That is the point. We propose to ask Mr Gennings about it, as I said before. Possibly it has something to do with the way in which the census was taken.

Mr. Subba Rao.—Regarding the diminution of output since you reduced the hours from 12 to 10, have you any figures to show that ?

A. We have submitted the figures.

A. *Mr. Patel.*—You will find three or four mills giving this difference.

President.—There is only one further point and that is about the railway freights, Mr. Parekh. You laid great stress on the rates from Okha. We referred that point to the B. B. & C. I. Railway and they explained that it had nothing to do with them and it was a question for the Jamnagar Railway. They say, ' it is not for this railway to criticise the soundness or otherwise of the reductions effected by the railway serving the port of Okha.'

A. *Mr. Chamanlal Parekh.*—The point is, Okha is about the same distance from Ahmedabad as Bombay. There is a difference of 50 per cent. in the freights between the two places though both the railways have to cover the same distance.

Q. Their point is that the other railway is giving a uniform rate on all traffic. It is a small railway and therefore it has its special reasons for this course which do not commend themselves to the B. B. & C. I. Railway.

A. *Mr. Kasturbhai Lalbhai.*—If a small railway does that it must also be easy for a big railway. Again, another point is that while from port Okha to Ahmedabad the distance is to be covered by two or three railways there is a direct line from here to Bombay. A direct run and a run through two or three lines makes a lot of difference in the rates as they say. Again there is another point against the B. B. & C. I. Railway. No sooner did they see that the Ahmedabad millowners have begun to import their goods from Okha, they have reduced their rates in one case, in the case of China clay. The rate was 11 annas and they immediately reduced it to 6 annas.

Q. You get the advantage of the competition between the two railways.

A. *Mr. Chamanlal Parekh.*—Not that way. In the other case there is a lot of difference.

Q. My point is that the special rates from Okha to Ahmedabad are to attract traffic to Okha and if the B. B. & C. I. Railway have reduced the rates to meet the competition you have secured the advantage.

A. *Mr. Kasturbhai Lalbhai.*—But in the other case, in the case of Bawla, the rate from Bawla, which is more than 300 miles from Bombay, is 12 annas, while from Ahmedabad to Bombay it is 12 annas, though it is the same B. B. & C. I. Railway.

Q. Is Bawla a port ?

A. No.

Raja Hari Kishan Kaul.—What do you think the cause is ?

A. *Mr. Chamanlal Parekh.*—Bawla is situated near the port Bhavnagar. If the railway does not reduce the rates from Bawla the traffic will be carried through Bhavnagar.

President.—Do you consider that the railways are not justified in quoting competitive rates ?

A. If it costs the railway to carry certain goods for a less rate for a certain number of miles, it must cost them still less if they are to carry through a shorter distance.

Mr. Subba Rao.—There is the other point. They might miss the traffic altogether They can charge what the traffic can bear.

A. In the old days they were doing that. They had one rate from Bombay to Kadi and from Bombay to Ahmedabad. Kadi is 50 miles from Ahmedabad. So our point is that if they reduce the rates to Bawla, they should give the same advantage to Ahmedabad also.

A. *Mr. Patel.*—Our case is that with regard to industrial centres some facilities or concessions ought to be given.

President.—There is one point about customs duty on machinery and mill stores. It has been represented to us that the abolition of the duty on machinery and mill stores might affect prejudicially a few industries in India.

A. *Mr. Chamanlal Parekh.*—There is hardly any industry in India which would be affected.

Q. Bobbin manufacture ?

A. It is nothing.

Q. Possibly the bobbin manufacturers would say that they have as much right to protection as hosiery has.

A. There is a duty of 2½ per cent. on bobbins. Will it help the industry by having the 2½ per cent. duty ?

A. *Mr. Kasturbhai Lalbhai.*—If they really want protection they can ask the Government of India for an enquiry and make out a case for protection.

ANNEXURE A

FINANCIAL STATEMENT

Statemen t No. I

Number of mills	Year	Paid-up capital	Reserves including carried forward	Block account original value	Block account after depreciation
1	2	3	4	5	6
		Rs.	Rs.	Rs.	Rs.
50	1921 ..	3,01,76,893	2,47,81,353	7,51,73,944	4,99,16,074
49	1922 ..	3,00,86,973	3,11,29,577	9,07,85,014	5,12,16,266
47	1923 ..	2,86,31,157	2,76,18,529	9,00,93,721	5,95,12,398
50	1924 ..	3,26,84,526	3,43,99,595	10,67,01,790	7,16,44,485
48	1925 ..	3,25,68,873	3,65,87,441	10,30,35,987	6,71,09,966

Number of mills	Year	Annual depreciation written-off	Net profit	Dividend	Percentage
1	2	7	8	9	10
		Rs.	Rs.	Rs.	
50	1921 ..	38,24,927	2,51,56,230	1,83,30,205	$60\frac{11}{15}$
49	1922 ..	39,02,639	1,47,02,204	1,17,34,405	$30\frac{9}{10}$
47	1923 ..	22,48,927	35,24,611	34,77,056	$12\frac{1}{7}$
50	1924 ..	29,02,493	49,67,749	41,53,121	$12\frac{23}{32}$
48	1925 ..	30,97,421	55,96,238	46,71,343	$14\frac{11}{32}$

Number of mills	Year	Reserves	Carried forward	Loss	Agent's commission given up to declare dividends	Reserves deduct
1	2	11	12	13	14	15
		Rs.	Rs.	Rs.	Rs.	Rs.
50	1921 ..	65,64,133	2,16,505	3,998	....	....
49	1922 ..	27,27,832	3,11,264	53,790	52,638	42,000
47	1923 ..	3,58,596	2,27,052	7,16,035	1,58,661	2,73,515
50	1924 ..	8,27,799	2,59,806	9,01,038	4,69,709	26,000
48	1925 ..	9,38,753	2,38,042	5,17,898	1,17,522	47,547

Statement No. 2

Number of mills	Year	Particulars	Amount	Particulars	Amount	Percentage of column No. 4
1	2	3	4	5	6	7
			Rs.		Rs.	
50	1921 ..	Paid-up capital ..	3,01,76,893			
		Add reserves ..	2,47,81,353	Net profit ..	2,51,56,230	
		,, depreciation fund.	2,52,57,870	*Deduct* loss ..	3,998	
			8,02,16,116		2,51,52,232	$31\frac{7}{20}$
49	1922 ..	Paid-up capital ..	3,00,86,973	Net profit ..	1,47,02,204	
		Add reserves ..	3,11,29,577	*Deduct* loss ..	53,790	
		,, depreciation fund.	3,95,68,748			
			10,07,85,298		1,47,48,414	$13\frac{17}{50}$
47	1923 ..	Paid-up capital ..	2,86,31,157	Net profit ..	35,24,611	
		Add reserves ..	2,76,18,529	*Deduct* loss ..	7,16,035	
		,, depreciation fund.	3,05,12,323			
			8,67,62,009		28,08,576	$3\frac{9}{25}$
50	1924 ..	Paid-up capital ..	3,26,84,526	Net profit ..	49,67,749	
		Add reserves ..	3,43,99,595	*Deduct* loss ..	9,01,038	
		,, depreciation fund.	3,51,47,305			
			10,22,31,426		40,66,711	$3\frac{9}{10}$
48	1925 ..	Paid-up capital ..	3,25,68,873	Net profit ..	55,96,238	
		Add reserves ..	3,65,87,441	*Deduct* loss ..	5,17,898	
		,, depreciation fund.	3,59,26,021			
			10,50,82,335		50,79,340	$4\frac{4}{5}$

Witness No. 3

THE MILLOWNERS' ASSOCIATION, BARODA

Written Statement, dated the 22nd August 1926

The Government of India have appointed the Indian Cotton Inquiry Board to inquire into the condition of the Indian textile industry with special reference to Bombay and Ahmedabad.

Baroda being midway between Ahmedabad and Bombay, the condition of its cotton industry is in no way different from that of these places. Under the circumstances we beg to submit our representation in respect of certain general questions affecting the Baroda cotton industry.

The main questions are: (1) Exchange, (2) Foreign Competition, (3) Import Duties on Stores, Machinery and Yarn, (4) Town Duty on Cotton, (5) Freight Rates, (6) Insurance charges.

1. *Exchange.*—Exchange should be fixed at 1/4 which was the natural rate prevailing till 1919. The currency policy of the Government of India is largely responsible for the present depression of the cotton industry as any variation in the rate above 1/4 helps the foreign manufacturers and stimulates the increased import of foreign goods.

The report of the Currency Commission just published has recommended the fixing of exchange at 1/6 inspite of strong opposition of the Indian merchants and mercantile bodies. The Government of India has also decided to introduce a Bill fixing the exchange at 1/6 in hot haste. The result of fixing the exchange rate of 1/6 cannot but act against the Indian industries and agriculture and other interests and the foreign countries will get undue preference of 12½ per cent. by this legislation.

The exchange should be allowed to take its natural course, in which case the rate will be about 1/4 or less and not 1/6 as recommended by the Currency Commission.

The exchange should therefore not be fixed at any rate and there should be free coinage of gold and gold currency as in England.

2. *Foreign Competition.*—The cotton industry has suffered heavily on account of heavy imports of foreign goods. This dumping is due to depreciated currencies of the foreign countries which give them undue advantage over Indian manufacturers. Why then should we appreciate the rupee? This competition is not merely from Japan but from all foreign countries particularly England. Protection to the Indian cotton industry is needed against all foreign countries and not merely against Japan. No doubt the case of Japan comes into prominence by certain circumstances such as the non-ratification of the Washington Convention and employment of female labour at night, Government subsidies, etc., but even England gets undue preference of 12½ per cent. by the manipulation of Indian currency and the fixing of exchange at 1/6 instead of at 1/4 which will permanently stimulate imports from England to a great extent. Thus there will be a further menace from English imports over and above that from Japan. The Government of India should therefore increase the import duties on cotton piece-goods by at least 12½ per cent. from all foreign countries including England and not merely from Japan.

3. *Import duties on machinery and mill stores.*—There is no industry in India which manufactures machinery and produces the required mill stores used by the cotton mills in India.

It is a general rule that no import duties should be levied on articles which are required for the prime industries of any country on a large scale.

All imports of machinery should be free. Further all mill stores should be allowed to be imported free of duty. The abolition of import duties will help the Indian cotton industry to lower costs of production and benefit the consumers. The import duty on some mill stores is as high as 10 per cent. In case the duty is not abolished altogether, at least duty on all sorts of *mill stores should be reduced* to 2½ per cent. from the present level of 10 per cent. Again imports of all yarn, cotton, silk, linen, or wool and worsted used by mills for weaving should be absolutely duty free.

4. *Town Duty on Cotton.*—To help the development of the Port of Bombay the town duty of Re. 1 per bale is levied on all cotton entering there. After the end of the cotton season all cotton is available at Bombay and the mills in the Bombay Presidency have to buy their requirements of cotton from Bombay.

This town duty is no longer required to meet the expenses for development as the Government have stopped building further tenements.

Under the circumstances there can be no legitimate reason for continuing the town duty of Re. 1 per bale.

5. *Railway Freights.*—The present railway freights are too high. Further there is a distinction between goods consigned "at owners' risk" and "at railway risk". The rates for goods consigned at railway risk are nothing short of prohibitive and hence these rates should be brought down by at least 50 per cent. for both classes of consignments.

Further over and above the general reduction in freight rates special rates should be fixed for Indian cotton and woollen piece-goods consigned (1) to the Ports of Bombay, Madras, Karachi, Calcutta, etc., (2) to principal centres like Delhi, Cawnpore, Amritsar, Agra, etc. and (3) to cotton and woollen centres like Beawar, Surat, Fazilka, etc.

So far as our information goes special freight rates are given to some cities: instead of that this concession should be given to all the centres where cotton mills are situated, particularly Baroda.

6. *Insurance Charges.*—The Bombay Fire Insurance Association is the only body which does insurance work in the Bombay Presidency and other adjoining territories. The insurance rates fixed by the Bombay Fire Insurance Association are arbitrary to say the least.

This association has fixed insurance rates (1) for Bombay Island and City and (2) for the moffussil.

The rates for Bombay moffussil are too high, sometimes higher by 50 per cent. than those for Bombay Island. The result is that mills outside Bombay have to pay higher insurance premiums. The Bombay Fire Insurance Association should therefore be compelled to reduce the rates for mills and cotton ginning and pressing factories so as to bring them on to the same level as rates for Bombay City and Island.

We have stated above the broad principles leaving aside minor considerations, the cumulative effect of all these being the cause of the present depression of the industry which is as serious and acute in Baroda as it is in Bombay. Accordingly we summarise below the immediate steps that should be taken forthwith to help the Indian cotton industry.

1. Stablising and fixing the exchange at 1/4 or allowing it to take its *natural course* without Government interference.

2. 12½ per cent. further import duty should be levied on all imports of piece-goods making the duty in all 23½ per cent. This duty should not be levied only on imports from Japan *but on all foreign imports* including those from England and European and American countries.

3. (a) Duty on imports of machinery should be abolished forthwith.

(b) Duty on all mill stores and machinery *parts* and yarn should be abolished.

(c) Failing the total abolition of duty on mill stores, the same should be reduced to 2½ per cent. invariably. No mill stores should be taxed at 10 per cent. as at present.

4. Town duty of Re. 1 per bale on cotton should be abolished.

5. Freight rates should be reduced immediately for the following:—

(a) On all consignments of Railway risk.

(b) On all consignments of owner's risk.

(c) Special freight rates should be given for the carriage of piece-goods from the manufacturing centres:

(1) To ports like Bombay, Madras, Karachi, Calcutta, etc.

(2) To trade centres like Delhi, Amritsar, Cawnpore, Agra, etc.;

(3) To cotton and woollen centres like Beawar, Surat and Fazilka, etc.

6. Insurance charges for the Bombay moffussil should be brought down at least to the level of those for Bombay City and Island.

We now trust that the Tariff Board will kindly consider these facts favourably and will help the cotton industry by recommending to grant the above reliefs to all the mills in India which are equally affected irrespective of their location.

Witness No. 3

THE MILLOWNERS' ASSOCIATION, BARODA

Oral Evidence of Mr. Matubhai H. Kantavala, recorded at Bombay on the 8th September 1926

President.—You are here as representing the Millowners' Association of Baroda ?
A. Yes.

Q. Are you the Secretary ?
A. I am neither the President nor the Secretary. I am a member.

Q. How many mills are there belonging to the Baroda Millowners' Association ?
A. There are 18 members. There are about 6 or 7 cotton mills. Some mills have not joined the Association.

Q. Could you say whether this list of mills which we have prepared here represents all the cotton mills belonging to your Association ?
A. Two or three I find are not members.

Q. Which are not members ?
A. Petlad Bulakhidas Mills.

Q. In addition to that are there any other cotton mills in Baroda other than those which belong to your Association ?
A. There are some which are not on the list.

Q. Which ones ?
A. Shree Sayaji Jubilee Jute Mills, the Sidhpur Electric Mill and the Kadi Manufacturing Company.

Q. Where is Sidhpur ?
A. On the road to Mount Abu from Ahmedabad. This Association works within the Baroda State. It is not confined to the Baroda town.

Q. Is this Sidhpur Electric Mills the same as the Sidhpur mills shown in the millowners' statement ?
A. There is another mill at Sidhpur. I am afraid I myself do not know the names of these mills. There are three mills at Sidhpur.

Q. Is the Electric Mill working now ?
A. It has commenced operations so far as I know.

Q. You cannot say whether this is a complete list or not ?
A. It is not a complete list as I have said.

Q. If you add the Sidhpur Electric ?
A. There is one mill at Kadi working for the last three years. I think it is the Kadi Manufacturing Company. It is near Kalol.

Q. Kadi Lakshmi Mill—Is that working now ?
A. Yes.

Q. The Sidhpur Mill, the Shree Sayaji Jubilee Cotton and Jute Mills and the Sidhpur Electric Industrial Company—that exhausts the list so far as Sidhpur is concerned ?
A. Then there are three mills at Kalol.

Q. We have got one in this list.
A. The other two are in liquidation, I understand. The Kalol Kapadia and the Kalol Swadeshi Mills are both in liquidation. There is one mill at Nausari.

Q. What you call the Darbhanga Mill ?
A. Yes, Darbhanga Spinning and Weaving Mill.

Q. It is in liquidation. Are there any others ?
A. No.

Q. It would be as well if when you get back you would ask your Secretary to send us a complete list of all cotton mills which are members of the Baroda Millowners' Association
A. Yes.

Q. The mills in your list are very small, I notice.
A. Yes.

Q. There is only one which has more than 25,000 spindles. The biggest has 25,632 spindles and 472 looms. They are all very small.
A. Yes, they are.

Q. Which mill are you connected with yourself ?
A. The Maharaja Mills.

Q. Do you consider these mills are of a size sufficiently large to ensure economic working ?

A. I should think so.

Q. We have been told by the Bombay millowners that 30,000 spindles and 1,000 looms is about the right size for a mill, and the Ahmedabad millowners hold that 25,000 spindles and 600 looms is the right size. All your mills are considerably smaller than either of these.

A. They are.

Q. It seems in the opinion of those well qualified to judge that your mills are not sufficiently large to ensure economic working ?

A. That is not my opinion.

Q. The proof of the pudding is in the eating. Can you give us some idea of the profits you have been making in the past ?

A. I will give you an idea, but I think a smaller mill also means a minimum of loss in bad times like these. That is also to be thought of. If bigger mills make better profits in fat years, they make bigger losses in lean years.

Q. Take your own mill for instance—the Maharaja Mills. Can you tell us exactly what the position of that mill is for the last five years ? What dividends have you been paying ?

A. Beginning with 41 per cent. we ended with 5 per cent. last year. Last year we paid out of the equalisation dividend fund.

Q. What did the other mills pay ?—The Baroda Spinning and Weaving Company—what did they pay ?

A. 25 per cent.

Q. The New Baroda Mill ?

A. That made a loss.

Q. Rajratna Naryanbhai Mills ?

A. 6 per cent. out of profits.

Q. Shree Sayaji Mill ?

A. They declared a loss.

Q. The Kalol Cotton Mill ?

A. They have not paid anything so far as I know.

Q. Is that a new mill ?

A. It is a new mill.

Q. Petlad Bulakhidas Mill ?

A. 6 per cent. I think.

Q. Sidhpur Mill ?

A. I think 4½ per cent.

Q. The Kadi Lakshmi Mill ?

A. I am not sure whether it made a profit or not.

Q. The Darbhanga Mill paid nothing, I think ?

A. It paid nothing.

Q. You have based your representation on that of the Bombay Millowners' Association. You have generally expressed your agreement with their position. But what we want to know exactly is how the Japanese competition on which they lay so much stress—in fact it is the main ground for their application—is affecting your mills in Baroda ?

A. We differ from them in that respect. There is competition from English mills equally. We differ from the Bombay millowners. They have been harping on this Japanese competition, whereas there is competition, foreign competition, including English, Italian and American.

Q. How is the competition of English mills affecting you ? Do you turn out the same class of goods ?

A. I am making mull from 40s and 60s from Uganda cotton. The English mill gives 50 per cent. better cloth at practically the same price, because it is made out of Egyptian cotton and is 50 to 60s warp and 70 to 80s weft. Bleaching is done by the mill. We have only dhobi washing. It is not only inefficient labour, but they can undersell us owing to exchange also.

Q. The exchange has been at 1*s.* 6*d.* for the tlast 18 months or so. Were they under selling you before that ?

A. Yes, it was 2*s.* and over sometimes and here were lots of imports at that time.

Mr. Subba Rao.—No imports before that ?

A. There were. Goods generally are imported when the exchange is favourable.

Q. In 1913 to 1914 you were getting even a larger volume of these imports ?

A. I grant that.

Q. So it does not mean that the rate of exchange now alone has brought about large imports ?

A. That is not the only factor. I say their goods are much better in finish, better in manufacture. That is another reason why they are doing well.

President.—Perhaps you will tell us, Mr. Kantavala, what exactly are the classes of goods which are turned out by these mills in Baroda. Speaking generally, would you say that the Baroda mills turn out goods of finer counts than those in Bombay ?

A. No.

Q. Is yours the only mill in Baroda which is using Uganda cotton ?

A. There are other mills which are importing yarns—warp and weft.

Q. Which one ?

A. Both the Kalol ones.

Q. Any others ?

A. I do not know.

Q. What sort of goods do the Baroda mills weave ?

A. Calendered long cloth, T cloths, domestics, and all these things which are grouped under the same head practically.

Q. What I want to know is whether yours is the only mill in Baroda which is feeling the effect of the competition of English goods, or whether that is the general position in Baroda ?

A. It is not mulls only that are imported from England. Even coarse cloth is imported. Even calendered long cloth is imported from England.

Q. Very little ?

A. Yes, very little.

Q. Not enough to affect the Indian mill production ?

A. It may not affect the Indian production but it might affect the selling prices.

Q. We know that quite well. Nobody has mentioned before us yet, and I do not think the position would be tenable if they did, that the English cost of production for that class of goods is less than the Indian.

A. I cannot say, because I have no experience of Lancashire.

Q. I want to know exactly how your mills in Baroda are being affected by the competition of imported goods. You say you are affected by the competition of English goods I want to know whether others are equally affected by the competition of English goods, or only by that of Japanese goods ?

A. Not directly, but if English goods affect the Bombay mills they may try to undersell us, and they are trying to do so in Cawnpore, Delhi and other places. It means that there is competition of the English mills felt by the mofussil mills.

Q. If there were no competition from the English mills, if not a single yard of imported piecegoods came into this country, would you not still have to face the competition of the Bombay mills ?

A. Then of course the production of cloth will not be sufficient for consumption.

Q. Is it sufficient now ?

A. If as you say there are no imports, if nothing is imported, then Indian production will not be sufficient for Indian consumption unless of course *khadi* is woven.

Q. Various millowners here told us that if imported goods were entirely excluded, the Indian mills could expand very rapidly and meet the whole of the Indian consumption. Then where would you be ?

A. That is not what I hold. My Association want only import duties. They do not want imports to be stopped, nor subsidies, nor anything of that kind. They want import duties to counterbalance this exchange. It is what we have pleaded for.

Q. What we want to find out is how you are being specially hit in Baroda—whether the depression which is stated to exist in Bombay applies equally to Baroda ?

A. Yes, it does.

Q. Why ?

A. It is reflected in the balance sheets. Except one no mill made a profit in Baroda.

Q. You mentioned two or three ?

A. That is in the mofussil of Baroda.

Q. We will now examine the relative advantages and disadvantages that you have in Baroda as compared with Bombay. We will take them under different heads. What about your cotton ? You are nearer the cotton supplies than Bombay ?

A. We are using Surat and Uganda.

Q. Are you nearer to Surat ?

A. The freight from Surat to Baroda and from Surat to Bombay is practically the same. Tiruppur and Uganda are nearer to Bombay.

Q. Are you not using Nausari cotton ?

A. I am using Nausari.

Q. Is not that good for your purpose ?

A. Not for warp. It is weft cotton.

Q. Cannot it be used for warp ?

A. It may be used to a certain extent. As a matter of fact we use Cambodia.

Q. You prefer it ?

A. Yes.

Q. Do you hold that you have no advantage over Bombay in regard to the supply of cotton ?

A. We do not know the rates for the moment when we stock. Bombay mills don't carry stocks. In Bombay information is flashed across the wire. They get the information earlier than we do. If it is a monthly report we come to know of it six hours after. Much water might have passed under the bridge by that time.

Q. Just one point before we go further. Why is it that in spite of the depression in Baroda, as you say, new mills have been started there ? There is a fairly large number of new mills.

A. But so many have come to grief out of these new mills. You have just now seen the statement of mills in liquidation.

Q. We know, but we do not know the facts about some of them. As regards Kalol, we have heard that liquidation had nothing to do with depression.

A. It was built in boom times and it was over-capitalised.

Q. We know quite well that the downfall of the Kalol mills has been due to speculation on the part of the managing agents.

A. But they built up a mill which cost them 25 lakhs at that time. At the present time it should not cost more than 10 lakhs. I have valued that mill and it would not cost more than 10 lakhs.

Q. You valued it ? Then you know all about the management. Do you consider that the management of the Kalol mills which are at present in liquidation was efficient and carried on entirely in the interests of the shareholders ?

A. I cannot say that, because I was a Director in the other mills also.

Q. You would not say that it was efficient ?

A. No, I would not say so.

Q. So we can rule those two out, at any rate.

Coming to Labour, how do your labour rates compare with those of Bombay and Ahmedabad ?

A. They are practically on a level with Ahmedabad.

Q. Can you give us exact figures ? For instance, can you give the wages of the blow room, card room and the rest ?

A. In the spinning department the wages are Rs. 20 to Rs. 22 a month. Of course, that does not include the allowances and all that we give later on.

Q. What allowances ?

A. We give three allowances, one for 30 days attendance, that is, for regularity, for punctuality, maternity, free quarters and good work.

Q. The Ahmedabad wage for spinners is Rs. 32.

A. With us it all depends upon production.

Q. Your spinners are on piecework ?

A. Yes.

Q. That is the English system.

A. Yes, spinners in my mill are on piecework.

Q. But even so their pay would be about Rs. 22 a month ?

A. That is the average rate of the whole spinning department. It includes also dhoby boys and other menials who are not efficient.

Q. Is it your rate or the Ahmedabad rate ?
A. Rs. 20 is the average rate of the spinning department.

Q. We want to know the average rate for the spinners.
A. It is somewhere about Rs. 25.

Q. For weavers ?
A. It will be Rs. 40. Those who mind four looms will get Rs. 60 to 70.

Q. According to the wage Census held in 1923 your wages were markedly less than Bombay and Ahmedabad. The average monthly earnings, for instance, for a full time man were Rs. 27-13-6 against Rs. 37-6-6 for Ahmedabad and for the work people Rs. 25-11-9 against Rs. 34.
A. For the whole mill ?

Q. Monthly earnings for a full time worker.
A. But the wages I mentioned were for the spinner and weaver. The average for the spinning department is Rs. 20. That includes the men and women for picking cotton for instance. I do not know how the average was taken by the Labour Office. I am not competent enough to pass any opinion on that.

Q. As you are now before us as a representative of the Baroda Millowners' Association we should be obliged if you will fill in the forms that we have sent out to various mills.
A. I can promise for my own mill.

Q. When we get that filled in we shall be able to see how you stand in this matter of labour. It is evident from the figures that we have got that Baroda is better off in regard to labour than Bombay or Ahmedabad.
A. I do not think so, because both of my mills are working on imported labour. The labour is so short in Baroda that we have got to import from outside.

Q. Which are they ?
A. There is the woollen mills for example and the other cotton mill. I have built free quarters for them. And if all these are taken into consideration I think we are as badly off as Ahmedabad at any rate if not Bombay.

Q. What percentage of absenteeism have you got ? Has that been worked out in Baroda at all ?
A. I do not remember whether it has been worked out or not. There is no day on which the whole mill is worked. That much I can say.

Q. Would you consider that you are better off or worse off than Bombay in respect of that ?
A. I think we are neither better nor worse.

Q. There is a good deal of difference between Ahmedabad and Bombay. In Bombay the percentages of absenteeism is 11 per cent. and in Ahmedabad it is 2½. What are your figures ?
A. It must be about 5.

Q. *Mr. Majmudar.*—You say you are importing labour from outside. For which department ? Spinning, weaving, engineering or dyeing ?
A. For weaving, for fly frames, for warping and for spinning also.

Q. Is it due to scarcity of labour or is the local labour not prepared to take up work inside the mills ?
A. Due to scarcity of labour only.

Q. Does that apply only to Baroda town or to all the mills in the Baroda states ?
A. That applies to Baroda. I have no experience of other places.

Q. What is the scale of wages in Baroda in professional trades ?
A. You mean professional trade like carpenters.

Q. Cooly labour.
A. It is 10 to 12 annas for male per day ; 6 to 8 annas for females and 6 annas for children.

Q. If that is the scale of wages and if you are paying the same wages as in Ahmedabad in spinning and all the departments, you should not find it difficult to find labour.
A. But this work is inside a factory.

Q. How much more do they expect for that ?
A. I cannot say, as it is, even agricultural labour is short in Baroda.

Q. How many spindles do you give to each spinner ?
A. One side of a frame ; about 150.

Q. Have you tried to give then two sides ?
A. No, the labour is not so efficient.

Q. But instead of stopping the machinery, would it not be better ?
A. We do when there is absenteeism, but then the production falls.

Q. Even then you find you cannot work all the spindles.
A. No ; even then we cannot.

Q. What is the total number of hands employed in your mill ?
A. 900, including every body.

Q. Although the absenteeism is 5 per cent. you find it difficult to run all the machinery.
A. This is the average absenteeism, there is no day on which a single loom has not stopped. There is scarcely a day on which the whole machinery is worked as I have said.

Q. Are all weavers double loom weavers ?
A. No. There are some who are given four, because there are not enough workers whom we consider good.

Q. And they work with any assistants ?
A. Yes, and of course the boy is paid by them.

Q. What would be the number of such weavers ?
A. About 10 per cent.

Q. Is there a decrease in production in that case ?
A. Where they have not got the boys the production goes down. When they have a boy it keeps up.

Q. Do you give a lower rate for the man who minds four looms ?
A. The rate is the same.

President.—If he is paid by the pound, he gets the same rate ?

A. Yes.

Mr. Majmudar.—You have introduced piecework in spinning from the very beginning ?

A. Yes.

Q. Are all the mills on piecework ?
A. Only my mill. The President asked me about my mill. I am not sure about the other mills.

Q. You have no idea.
A. No. I have no idea.

Q. Your jobbers might be telling you about the practice at other mills.
A. They might be telling the Manager. I have no occasion to talk to them.

Q. And would the Manager not report to you ?
A. Why should he report to me ?

Q. Have you ever heard that people do not like work in the spinning department on piecework and that they prefer to go where they are paid fixed wages ?
A. Yes, they go from my mill to other mills where they are paid fixed wages. When the cotton is bad they do go.

Q. How can you say that your rates are the same as Ahmedabad. Have you compared the rates off and on ?
A. During the war time we gave them good increase and then we gave them some facilities that Ahmedabad may not be giving. I have given rooms free for them to live in. We pay Re. 1 a month for regularity and 8 annas for punctuality. We give maternity benefits. I do not think Ahmedabad mills are giving all these.

Q. But you have not actually compared the wages ?
A. I have compared, I add up all these things and then say that it costs us practically the same.

Q. How many people do you house out of 900 you employ ?
A. About 600, those who belong to Baroda do not come and live in these rooms.

Q. Does that mean that you have got 400 to 500 rooms.
A. No ; often the whole family work there.

Q. How many rooms have you ?
A. I have about 200 rooms.

Q. Amongst them the absenteeism is 5 per cent.
A. Not amongst them. I say on the whole. They come from the village. On the whole it is 5 per cent.

Q. Your labour force does not change. You have that advantage.
A. Do you refer to the imported or to the indigenous labour ?

Q. The imported labour, you said most of your labour is imported.
A. That advantage my particular mill has got.

Q. And the other mills in Baroda ?
A. They do not work on imported labour.

President.—How is it they can get local labour and you cannot ?

A. We can get it. But it is not as efficient as imported labour in the first place. And there will be competition amongst the mills to get labourers and all that, and I do not like that.

Q. You are satisfied that it saves you a lot of trouble if you go outside ?
A. Yes, for one particular labourer three or four mills may be trying and there will be competition in wages and all sorts of troubles and strikes. There has been no strike in my mill for instance.

Mr. Majmudar.—When was the first mill started in Baroda ?

A. Perhaps when I was not born, many years ago.

President.—Which is that ?
A. The Baroda Spinning and Weaving Mill.

Mr. Majmudar.—How many mills were working in 1914 ?
A. In Baroda town three.

Q. And have you any idea about the number of spindles ?
A. On the whole, the number of spindles has nearly doubled since 1914.

Q. You say you are spinning 40s and 60s. Is the machinery suitable for that ?
A. We put it for medium counts and then we make certain alterations.

Q. Do you find shortage of labour when you are spinning fine counts or all through the year ?
A. All through the year. In fact they do not like coar se cou nts.

Q. That is, fine counts work is better than the coarse counts ?
A. Yes, there is no mixing of any short staple.

Q. Do you give workmen any education ?
A. Yes, we have to, under the Baroda Compulsory Education Act.

Q. I mean technical education.
A. No, except such as they pick up.

Q. Are the jobbers in any way technically educated ?
A. No, they are most inefficient. They are all on piecework.

Q. But if the man does not know the work, even if he is put on piecework he cannot do better.
A. He does not.

Q. What about the supervisors ?
A. They are technical men. I should like to know what you want.

Q. You have the Kala-Bhuwan where theoretical training is given. Are you taking advantage of the people trained there ?
A. I do not think they are of much use to us.

Q. Do you take out efficiency figures ? Supposing you are working a loom at a certain speed, it ought to give you a certain production. Do you work out how much production you get and if so, what is the efficiency ?
A. In my mill it is about 80 per cent.

Q. In weaving or spinning ?
A. In weaving.

Q. What is the production ?
A. In 20s and 30s it is 14 lbs.

Q. Do you get the same price for your products as the Ahmedabad mills ?
A. No, there are no merchants at Baroda. We have to sell at Bombay and Ahmedabad, and give them the benefit of the freight. This is another disadvantage we are suffering from.

Q. Is there any duty on cloth coming into Baroda State ?
A. None.

President.—Any export duty on cotton going out ?
A. None.

Mr. Majmudar.—Is cotton produced in the districts round about Baroda town ?
A. Yes, but that is not fit for our purpose for the class of goods which we are turning out.

Q. None of the Baroda mills are using local cotton ?
A. They are using it. Local cotton is used only for making market yarn but it is very rarely used for warp and weft.

Q. What do you produce ? Do the other mills produce sheeting ?
A. Yes, they also produce sheetings but we work on 20s and 30s, and local cotton will not suit these counts.

Q. Is much Japanese cloth imported in Baroda State ?
A. Yes.

Q. Have you got any figures ?
A. None.

Q. Does the State maintain the figures ?
A. It does maintain figures of exports and imports but I do not think they have a classification of Japanese and others.

Q. What portion of your goods are selling in Baroda ?
A. None in Baroda.

Q. All exported ?
A. Yes, I am talking of my mill, but I think that is the general experience.

Mr. Subba Rao.—Your output is sold outside and Baroda people import from Bombay and Ahmedabad ?
A. Yes.

Q. Why ?
A. Because they want credit. Mills do not sell on credit. There are retail merchants in Baroda and they buy from wholesale merchants. Sometimes my goods travel to Ahmedabad and come back to Baroda.

Q. But they are consumed in Baroda ?
A. I do not know.

Q. But mostly Baroda consumes cotton goods from outside ?
A. I am not prepared to say. I am selling my goods outside Baroda.

President.—You as representative of the Millowners' Association, Baroda, should be able to give us a general idea of the state of affairs. It is only from you that we can get a general idea of the actual state of affairs.
A. My experience is that Gujarat does not use that coarse cloth which Gujarat is producing. My goods are generally consumed by the U. P. Gujarat generally likes finer goods. It gets goods from Bombay if it wants swadeshi goods otherwise it generally imports English and Japanese goods.

Q. Do the Ahmedabad mills spin finer counts ?
A. Yes, during the last year or so they have changed. But even Ahmedabad is selling goods in Calcutta, Cawnpore and Delhi.

Mr. Majmudar.—You sell to Ahmedabad and Bombay merchants ?
A. Mostly I sell in Cawnpore, Ahmedabad and Agra.

Q. You have got your own commission agents ?
A. I am working on the indent system in Delhi. There is my own office in Cawnpore and agents at Agra.

President.—What is the indent system in Delhi ?
A. We send our bills through banks to the merchants. That is what is called in our business parlance the indent system. That is the continental system.

Q. Would you explain exactly how it works ?
A. We send goods for forward delivery, 5 bales a week, 5 bales a fortnight and so on and send goods and draw the bills through the banks. That is another difficulty. Even for collection the Imperial Bank do not take these bills unless they have got our accounts in the head office.

Mr. Majmudar.—In Ahmedabad you have got your own man ?
A. Yes, I have my salesman in Ahmedabad.

Raja Hari Kishan Kaul.—In Baroda you are producing more yarn than you can convert into cloth ?

A. Yes, I think so.

Q. Is that for sale in the market ?

A. Yes.

Q. Do you export the yarn or do you sell it in Ahmedabad or Bombay ?

A. We do not sell in Baroda, we export it.

Q. Export it to places in India or outside India ?

A. All places in India.

Q. Mostly to ?

A. Various places, speaking for myself, I export it to the Punjab.

Q. That is for home consumption ?

A. Yes.

Q. What counts are you producing for sale ?

A. Are you referring to all the mills in Baroda ?

Q. You are talking of your own mill ?

A. I am spinning from 6s to 30s.

Q. You are manufacturing cloth from higher counts of yarn ?

A. Yes.

Q. Do you produce that yarn yourself or do you import the yarn ?

A. I am not importing any yarn except that which is required for borders.

Q. You are spinning counts higher than 30s as well ?

A. Yes.

Q. Only as much as you want for your manufacture ?

A. We sell also. I sell 40s also which is in surplus.

Q. You sell 6s to 30s and also 40s and 50s ?

A. I am selling only 40s.

Q. This is all sold in the Punjab ?

A. 40s is sold only in Madras and Bombay.

Q. Probably for hand-looms ?

A. Yes.

Q. I believe the yarn you are selling in the Punjab is also for hand-looms ?

A. Yes.

Q. Are you making any profit on yarn ?

A. No.

Q. You are manufacturing yarn at a loss ?

A. Just now it is selling at a loss.

Q. You are speaking generally for all the mills ?

A. Yes, I am speaking for all the mills. All yarn is made now at a loss.

Q. Can you give us an idea of how much the loss is ?

A. Take 30s. Cotton costs 8 annas. There is about 20 per cent. loss. The selling price is about 11 annas.

Q. How much does it cost you to manufacture ?

A. It costs 14 annas, less the selling price of waste. I put it at 13½ annas.

Q. You recover half an anna out of fourteen ?

A. Yes. It costs us 13½ annas.

Q. If you spin 30s count just at present ?

A. I am not spinning that now.

Q. What counts are being spun now ?

A. 6 to 15½ and 40.

Q. There is no loss in spinning these counts ?

A. There is less loss. I cannot say there is no loss. I have to keep my machinery going. That is all.

Q. You mean to say that generally all the mills are at present spinning coarse counts ?

A. 40s is not a coarse count.

Q. You say you have gone down to 6s and 15s because you suffer less loss in spinning these counts than in spinning 30s ?

A. And higher counts also, I am producing—40s.

Q. Can you produce 40s at a profit ?
A. Not at a profit. Practically there is no loss on 40s.

President.—Even though you import the cotton from Uganda ?
A. Yes, there is a little loss but not as much as on 30s.

Mr. Majmudar.—You mean 40s market yarn ?
A. Yes.

Raja Hari Kishan Kaul.—Probably you spin a very small quantity of 40s ?
A. Yes.

Q. Generally it is the lower counts ?
A. Yes.

Q. Your number of spindles is very much larger than what you want for your weaving ?
A. Yes.

Q. Therefore the surplus yarn is going into the market ? Generally speaking the mills are spinning below 30s ?
A. Yes, and they are making a loss.

Q. A loss of something like 2½ annas per lb. ?
A. If they spin 30s. But on coarser counts there is much less.

Q. Can you give an idea of the counts they are spinning ?
A. They are generally spinning between 15s and 20s.

Q. What is the loss on spinning those counts roughly speaking ?
A. On 15s it is about half an anna.

Q. On 20s ?
A. It is the same. That is reflected in the New Baroda Mills balance sheet.

Q. It is only a spinning mill ?
A. Yes.

Q. They spin 15s to 20s ?
A. I should think so.

Q You are manufacturing mulls at present ?
A. Not all. Some.

Q. Mulls and other cloth of finer counts ?
A. Yes.

Q. From imported cotton ?
A. Yes.

Q. Can you expect to compete with foreign countries when you have to import your cotton ?
A. But foreign countries are also importing. Not an ounce is grown in Lancashire.

Q. So you have not got any advantage ?
A. No. Indigenous cotton does not spin so fine.

Q. Therefore it is less likely that you will be able to compete with foreign goods with foreign cotton than you can in counts produced from Indian cotton ?
A. Yes.

Q. And therefore when you complain of competition of English goods it is not a very sound complaint.
A. I do not follow you.

Q. When you are spinning counts which are produced from indigenous cotton, there is not the same competition and the foreign country cannot undersell you so easily ?
A. You mean I am inviting competition ? I shall be making a greater loss if I were spinning 20s and 30s. They are practically unsaleable at the present moment. I will have to lock it up in my godown.

Q. Why is it selling at a loss ?
A. It is not selling at all for the present.

Q. Do you mean to say that piece-goods manufactured from yarn up to 20s and 30s do not move ?
A. For the moment.

Q. Why ? Is the market overstocked ?
A. It may be so.

Q. I understand that your coarse cloth cannot be sold. It is the cloth produced by most mills and it cannot be sold at a profit. That is what is called depression. I should like to know what the cause is. The coarser goods are not moving ?

A. No.

Q. How does that overstocking come about ? Is it by over-production or by imports ?

A. By both.

Q. Why should there be over-production ?

A. The ryots have been impoverished and they cannot use as much. We have not actual over-production but have more than we can consume.

President.—Is that not over-production ?

A. It is over-production in a different way. Over-production is due to two causes. Over-production as such, and over-production due to less demand for temporary causes.

Mr. Subba Rao.—What is over-production as such ?

A. Greater production than there is demand.

Mr. Majmudar.—Do you mean to say that the present consumption of cloth is not normal ?

A. Yes, it is subnormal. The usual demand is, suppose 100 lbs., and we produce it daily. All of a sudden the demand falls to 80 lbs. Then there is temporary over-production.

Raja Hari Kishan Kaul.—Can you give us an idea of how much the consumption of cloth has fallen ?

A. I have not worked it out.

Q. Can you say then that there is over-production ?

A. Because I go about the country with my eyes open, I see the poor people with tattered rags as clothes, half naked.

Q. Have you been doing that for the last 20 years ?

A. Yes.

Q. You find that the average ryot is consuming less cloth to-day than he was consuming before ?

A. I think he is consuming less food also now-a-days.

Q. It is partly on account of over-production ? That is, your production has gone on increasing partly by the addition of new mills and partly by the addition of more looms and partly by the additional imports. The total imports have not increased recently. Imports from one country have decreased while the imports from other countries have increased ?

A. That process will go on. I suppose it has decreased recently from the country to which you refer.

Q. The total imports have decreased on the whole. Therefore, do you mean to say that the overstocking is due mainly to over-production in the country ?

A. No, I cannot say that. We cannot jump to that conclusion only by reference to one year. There have been more imports during the last two years preceding.

Q. The imports have been declining. The general condition of the mills in Baroda is you think worse than it was. Some have gone into liquidation and others you say are making losses at present ?

A. Some of them are making losses.

Q. Some according to you ?

A. According to the balance sheets. Not according to me.

Q. Some of them are making decent profits ?

A. Yes, one mill has made a profit.

President.—Is there any special reason why that mill should make a profit ?

A. Yes, it has got big reserves and it was bought from the State at a cheap price.

Q. But you also mentioned another mill which also paid a dividend from profits only.

A. Yes, Petlad.

Q. What special circumstances are there in favour of that mill ?

A. More efficiency of management, perhaps. I do not know.

Q. That is rather an important admission.

A. I should admit what I think is correct.

Q. I quite agree.

Raja Hari Kishan Kaul.—In your own mill, are you making a profit or a loss ?

A. I made neither. I am making some profit just now.

President.—Why is it ? Is it because the tide is turning ?
A. Because I made certain changes in the mill.

Q. Would you kindly tell us exactly what those changes were ?
A. Changing the counts and changing the kinds of cloth and trying to meet competition.

Q. You made a loss last year ?
A. Both sides balanced last year.

Q. This year you are making a profit because you are changing.....
A. I made a loss during the first three months.

Q. You made the changes to meet the requirements and you are making a profit ?
A. Yes.

Q. In other words, the effect of competition has been to wake you up, if I may say so
A. Yes, the burden has been transferred from my shoulders to the shoulders of some others.

Q. In what way ?
A. Some mills might be making losses. Hand-looms may suffer. I will undersell them.

Q. Do you maintain that they should not go to the wall ?
A. Why should they ?

Q. Do you maintain that it is the duty of the taxpayer by paying a high protective duty to keep inefficient mills going ?
A. I maintain a few inefficient mills should work as against the foreigners. And it is the duty of the State or the community to foster indigenous industries. That is my personal opinion.

Q. I am glad to have it on record, Mr. Kantavala. We now know exactly where we stand. It is your opinion, whatever the efficiency of an Indian mill is, that....
A. A little less efficiency should not matter because it is after all, a training ground. We all learn by mistakes. Last year I was inefficient and according to you I should have gone to the wall last year. I had a chance to survive and I am making profit now.

Q. It is not according to me at all. You did not go to the wall.
A. If I was inefficient last year, I should have gone.

Q. Not necessarily. The suggestion I was about to put to you was that if you had not learnt by your experience, if you had not made those changes which you say you have made, why should you continue ?
A. That is exactly what I say. We must be given time to learn by experience. Even inefficient mills should be allowed a chance to improve and live as against foreigners. That is my contention and my submission.

Q. You have had 70 or 80 years to learn by experience ?
A. Yes. The industry has been standardised. But these are unusually bad times.
Raja Hari Kishan Kaul.—You were complaining of foreign competition and told us that by changing your types and producing finer or coarser cloth you have improved from making no profit to making some.
A. Yes.

Q. Is it not by replacing some of the foreign goods ?
A. I cannot say absolutely, because there are other mills and hand looms making similar goods.

Q. You told us that most of these goods are coming from foreign countries.
A. I say foreign goods which are better than mine and selling cheaper by 50 per cent.

Q. You say there is competition in these finer goods ?
A. Yes.
A. Therefore by producing finer varieties of cloth you have now taken up part of the consumption which was so far supplied by the foreign goods. Therefore you are not in competition with local mills. You have gained by competition with the foreign countries.
A. I mentioned the specific instances where I am in competition with English goods practically.

Q Your success need not send another mill to the wall. How do you pay your spinners ? On piecework system ? According to the weight ?
A. In my mill by weight.

Q. Is that system of work profitable for the spinner? Does he get more by that system?

A. My opinion is it is profitable to both, both to the worker as well as to the mill.

Q. Does it enable him to earn more?

A. Yes, more than the fixed wage.

Q. Why does he want to go away?

A. It is only the indolent and lazy who go away because they get a fixed wage elsewhere. The good ones do not go.

Q. The average that you have given us is the average earning of the good spinner?

A. No, the average of the whole spinning department.

Q. They do not like working on that system. Only the good spinners stay on. So that your average should be somewhat higher than that of the other mills?

A. Yes, it is. As a matter of fact it is. But then I do not think others pay by piecework. They pay a stated salary per month.

Q. That is why your spinners go away?

A. Yes.

Q. You tell us about the system of having one man for four looms. You think there is no loss of efficiency in four looms being attended to by one hand.

A. Whenever there is a boy under him there is no loss to the mill.

Q. How many men are working four looms?

A. About 10 per cent. and 7 per cent. out of those working on them have got boys under them.

Q. Are they working on the finer cloth?

A. Not necessarily on finer. Even on the coarser.

Q. We have been told that the weaver does not ordinarily work more than two looms and that if he is put to more than two looms the outturn is not good?

A. We have to introduce it, partly because we are short of labour and partly as an encouragement to the weavers.

Q. You think this system can be introduced, on a large scale?

A. No, the percentage in Baroda of 'imperfect' cloth is higher than in Ahmedabad and Bombay.

Q. So that there is less efficiency.

A. There is less efficiency. There is no loss on production.

Q. But the cloth turned out is not good.

A. Not so good.

Mr. Subba Rao.—Could you tell us what factory laws you are working under; are they the same as in British India?

A. At present we are under a law similar to that on the old British Indian Factory legislation, and amendments are on our legislative anvil.

Q. Therefore you are not at present bound by the ten hours rule?

President.—Are you working ten or twelve hours?

A. We are working eleven hours. By an agreement with the workers we are working eleven hours although the Act permits twelve hours. When the British Indian mill agents here arranged with the workers to work ten hours although the then British Act permitted twelve; at that time we also arranged to work eleven hours—ten and half hours in the winter and eleven and half hours in the summer—average 11.

Q. You say an amending Act is on the legislative anvil?

A. Yes. Then it will be ten. Mr. Iyer referred to the Baroda legislation and said there was no factory law. So I want to say this. The legislation is more strict in Baroda than the British Act in many instances. Education facilities, water facilities, these are enforced there rigorously. I do not know if any mills are working more than eleven hours. I want, Mr. President, to make a statement in this connection.

Q. Could you very kindly send us a copy of the Baroda Factory Act?

A. Of the amendment also which is before the Select Committee?

Q. Yes, please.

Mr. Subba Rao.—You said you are paying a bonus. What proportion of your labourers earn that bonus?

A. About 30 per cent.

Q. And they attend all the working days regularly?

A. Yes, those who are absent for one day are also paid half.

President.—You find that has a good effect ?
A. A very good effect.

Mr. Majmudar.—Is there any income-tax in Baroda ?

A. Yes, but no super-tax.

Q. Is the scale of income-tax the same as in British territory ?
A. It begins from 750 rupees income. That is the difference.

Q. We are referring to the income of mills.
A. I do not know what is the income-tax on British mills. It is 1½ per cent. in Baroda. Now another amendment will be coming in.

Q. You had no excise duty formerly ?
A. We had. It was taken off three months after.

Q. Your Baroda State has got a bank ?
A. Yes.

Q. Where are the branches ?
A. Mostly within the State.

Q. You have got one at Ahmedabad ?
A. Yes.

Q. And one at Bombay ?
A. Yes.

Q. Have you any branch at Cawnpore ?
A. No.

Q. So far as Ahmedabad and Bombay are concerned that bank might be affording you all facilities ?
A. Yes. But what about the other centres ? We are not selling much in Bombay. The Imperial Bank does not collect our drafts.

Q. Where ?
A. Anywhere.

Q. I am referring to Ahmedabad and Bombay where you have got your own branches.
A. There we have got our own branches.

Q. Have you approached your State and requested them to..... ?
A. I personally approached the Imperial Bank and they made arrangements for my particular mill only.

Q. Not for all ?
A. No.

President.—They made arrangements for what ?
A. For collecting my bills ; not for negotiating them, but for collecting them.

Mr. Majmudar.—Do you employ many half-timers ?
A. All children are half-timers in Baroda. We cannot employ them for more than seven hours.

Q. Up to what age ?
A. From 12 to 14.

Q. Are you employing a good number of them ?
A. Yes.

Q. Do the agents get their commission on profits ?
A. It is on sales.

Q. How much is it ?
A. 3½ per cent.

President.—The Ahmedabad system ?
A. The Ahmedabad system as recently amended. Yes.

Mr. Majmudar.—Even pre-war you had the same system ?
A. Personally I had. Some of the mills had it based per lb.

Q. They were on production ?
A. Yes.

Q. Do you maintain a register of cost price ?
A. For my personal use, I think.

Q. What do you mean ?
A. I only keep a register of cost prices for my use.

Q. Last year you were making losses on cloth and yarn ?
A. I balanced both sides. During the first three months of this year I made a loss.

Q. Is there a big handloom industry in the Baroda State ?
A. Not big, the same as all over Gujarat. It is part of Gujarat. There are about 50 handlooms working in Baroda town.

Q. Of course in the city you find the same thing everywhere.
A. Round about Baroda town there are not many handlooms.

Q. There is no yarn market in Baroda ?
A. There is no market of any kind in Baroda.

Q. What I want to know is whether Japanese yarn is imported into the Baroda territory ?
A. Bombay yarn is being imported.

Q. Not Japanese ?
A. Bombay is equally good. It is better than ours.

Q. If I remember right some years back a Calico Printing Works was started in Baroda.
A. Yes.

Q. Is it still in existence ?
A. Now it is the " Virgin Mills " of Mr. Baptist

Q. I am talking of 1910.
A. Yes, the same concern was sold to Mr. Baptist and it is styled the Virgin Mill.

Q. It failed ?
A. It went into liquidation.

Q. Did it work at all ?
A. It did work for two or three years. But the calico printing was done by hand. Only bleaching and dyeing were done by machinery.

Q. Did you approach the Baroda State for the protection of your industry ?
A. We approached them that they may approach you.

Q. Why ? Cannot the Baroda State put an import duty just as the Indore State has done ?
A. Our State is against all sorts of protective walls. The problem is the same for all India. We have to pay the import duties for stores and yarn and machinery in Bombay, not in Baroda.

President.—One question about insurance charges. You say the rates of the mofussil are now 50 per cent. higher than for Bombay Island ?
A. Yes. The Bombay Fire Insurance Association have not been compelled to reduce the rates.

Q. How can you compel the Bombay Fire Insurance Association to reduce their rates ?
A. Government can compel them.

Q. Don't you think, that if Government start fixing insurance rates they will be letting themselves in for all sorts of trouble ? Why should not they compel you to sell your cloth at a certain price ?
A. They must. They might commandeer cloth if and when it becomes necessary. I hold that view. When they are compelling the miners to work for instance an extra hour in Britain—well.... This is a worse sort of trade union—this Bombay Fire Insurance Association.

Q. You could do something to bring them to reason if you had your own Fire Insurance Fund in Baroda. You have 18 mills. Why does not your Millowners' Association start its own insurance ? Not only for Baroda ; for Ahmedabad also. If Ahmedabad and Baroda got together they could surely have a Fire Insurance Fund of their own and it would cost far less than this.
A. It is not feasible.

Q. Why ?
A. It will be all one company and one company will have to re-insure later on.

Q. It could re-insure ?
A. Other companies will not accept re-insurances from offices which are not members of their Association. It is a Trade Union. The reason for keeping high tariff rates is to pay more to the agents. They wanted to cancel my insurance because they alleged that I had taken more rebate than the tariff rates allowed, that my mill had taken some commission, some rebate from off the tariff rates.

Q. Their objection was that you passed some of the agency commission to your mill ?
A. No. It was that the insurance company gave my mill better rates than the tariff rates, that my mill got a lower rate than the tariff rate. The Association objected to that.

Q. But that could have nothing to do with you ?
A. They wanted to cancel my policy.

Q. That was a matter between the Association really and the company with which you were insuring.
A. But it was my fate which was going to be decided by them without reference to me.

Q. What are you referring to when you say "so far as our information goes special freight rates are given to some cities" ?
A. For instance, Bombay and Ahmedabad have got special freight rates. Baroda has not got those rates for piecegoods and cotton.

Q. They are given special treatment ?
A. Yes.

Q. Have you worked it at all ? Can you give specific instances to show how your rate works ?
A. I can send them. Bombay can send their piecegoods to Calcutta at Rs. 2 a bale, whereas it costs us Rs. 11 a bale, because they are sent by sea.

Q. But they cannot send it so low as that.
A. Someone told me that it costs Rs. 2 a bale from Bombay to Calcutta.

Q. The rate to Madras is about Rs. 10 a ton, and from Bombay to Calcutta it is Rs. 2-4-0 a bale for yarn and Rs. 7-8-0 less 10 per cent. for piecegoods.
A. So I am not far wrong. The freight rates must be lower.

Raja Hari Kishan Kaul.—You do not sell yarn in Calcutta ?
A. We do. We cannot sell because of these things.

Q. Are you selling in the Punjab ?
A. Yes. You can make it more scientific and more equitable. I will send you a statement of freight rates.

President.—At what rate do you borrow from the Baroda Bank ?
A. No member of my Association has borrowed recently from the Baroda Bank.

Mr. Majmudar.—You have not found it necessary to borrow at any time ?
A. Not in recent years, I mean.

President.—Why don't they borrow ?
A. They have got enough finance of their own.

Q. They are in a fortunate condition ?
Mr. Majmudar.—They do not take fixed deposits ?
A. They do.

Q. What interest do they give ?
A. 4½ to 6 per cent. per annum. It will depend upon the amount.

President.—As regards the effect of this import duty that you suggest am I to understand that your Association would subscribe to all the views put forward by the Bombay Millowners' Association as to the effect of an increase of 12½ per cent. in import duty ?
A. Yes.

Q. You agree with the Bombay Millowners' Association that it will have no effect on the consumer ?
A. That can be refunded by the Government to the consumer by a reduction in the other taxes. Salt tax, for instance, can be decreased. What you take from the people by one hand, you can give them by the other hand.

Q. I am not quite sure that the Salt industry is not also applying for protection.
A. Yes. But I think they deserve protection. But if you give them protection you can reduce salt tax very easily afterwards.

Q. Have you worked out what the effect of reducing it would be ? You say that you can give this money back in the form of reduction of salt tax. Have you worked out the figures ?
A. It may be that if you increase the import duties, the imported goods may decrease and the amount collected may be the same. How can I say that ? There must be a line drawn somewhere.

Q. Exactly. If you increase the duty so that the imports automatically cease, where do you get any duty from which to reduce the salt tax ?
A. I admit that.

Raja Hari Kishan Kaul.—As regards freight, I understand that what you want is that specially favoured freights should be adopted for cotton piecegoods going from mill centres to the markets.

A. Yes.

Q. You do not want any concession for raw cotton ?

A. We have stated that our Association wants for raw cotton also.

Q. Raw cotton coming from any place ?

A. From centres like Akola, Surat and other places.

Q. To all the mill centres ; and for piecegoods or yarn, to the upcountry markets ?

A. Yes.

President.—I have here a note prepared for the Tariff Board by the B. B. & C. I. Railway in regard to this question of railway freight. I read to you the following : ' Piecegoods and yarn from Ahmedabad and other upcountry centres '—of which presumably Baroda is one—' can be carried to Calcutta direct by the all rail route at the same rates traders would have to pay if they carried it by rail to Bombay and booked it thence by sea.' So according to the B. B. & C. I., you can send your goods to Calcutta at exactly the same rate that you would pay if you sent them to Bombay and thence on by sea.

A. I submit that Baroda is not included therein. But even if it were, we are out of pocket to the extent of the freights from Baroda to Bombay.

Q. You are bound to be at some disadvantage compared with somebody.

A. But I am sure that Baroda is not included therein.

Q. Will you kindly look into that ?

A. Yes ; I will send it.

Q. If so, you have undoubtedly got some case, if you are not getting the same protection in this respect as other upcountry centres.

Mr. Subba Rao.—I understand you want an import duty on cloth but not on yarn.

A. Yes, not on yarn ; otherwise our handloom industry will go.

Q. Therefore you object to any duty on yarn even though the yarn competes with local yarn ?

A. Yes.

Q. For example, yarn from 30s to 40s competes with local yarn.

A. I do not mind. These are my views.

Mr. Majmudar.—You object to the duty on mill stores ? You say ' the duty on mill stores should be reduced to 2½ per cent. invariably. No mill stores should be taxed at 10 per cent. as at present.'

A. If you cannot make it free, collect 2½ per cent. Otherwise we can't be on the same level as the English mills.

President.—But you have the disadvantage of freights.

A. That is negligible.

Mr. Majmudar.—You talk of railway risk and owner's risk. You say ' further there is a distinction between goods consigned " at owner's risk " and " at railway risk. " The rates for goods consigned at railway risk are nothing short of prohibitive and hence these rates should be brought down by at least 50 per cent. for both classes of consignment.' Will you please amplify this statement ?

A. If the goods are sent at owner's risk then the form as it stands absolves the railway from all responsibility and pilfering might take place. So we have to send them at railway risk and in that case the rates are prohibitive.

Q. In no case, are they the same ?

A. I think not.

Q. Do you get many complaints of pilfering when you send your goods at owner's risk ?

A. Yes, plenty.

Q. And still you continue to send them at owner's risk, because the railway risk rates are high ?

A. Because the consumers want them at owner's risk. We sell goods on mill delivery terms and they want cheaper freights.

Q. You say ' the rates for mofussil are too high, sometimes higher by 50 per cent. than those for Bombay island,' with regard to insurance, whereas the Ahmedabad mill owners say they are higher by 25 per cent.

A. Perhaps they have deducted 25 per cent. rebate which is now taken off and rates are made net. 25 per cent. refund has been given. But that, the Bombay mills also get.

President.—Will you let us have the rates you actually pay ?
A. Yes ; I will send them.

Mr. Majmudar.—Has your Association moved The Fire Insurance Association to reduce the rates ?
A. I did approach the Insurance Company to reduce the rates.

Q. But the Association as a whole has not moved ?
A. No. Our Association has not moved in the matter

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